

**Sportingbet (IT Services) Limited**

**Company number: 05214498**

**Report and Financial Statements**

**Year Ended**

**31 July 2009**

FRIDAY



LD4 19/03/2010 115  
COMPANIES HOUSE

# **SPORTINGBET (IT SERVICES) LIMITED**

## **Annual report and financial statements for the year ended 31 July 2009**

---

### **Contents**

#### **Directors**

#### **Page:**

1	Report of the directors
8	Report of the independent auditor
10	Profit and loss account
11	Balance sheet
12	Notes forming part of the financial statements

---

### **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

### **Auditors**

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

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

### **Report of the directors for the year ended 31 July 2009**

---

The directors present their report together with the audited financial statements for the year ended 31 July 2009

#### **Results and dividends**

The profit and loss account is set out on page 10 and shows the result for the year. The directors do not recommend the payment of a dividend (2008 £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 2009 are as follows

- Turnover and gross profit of £9.4m (2008 £7.6m)
- Administrative expenses of £2.9m credit (2008 £7.5m charge)
- Included in administrative expenses are £11.8m credit (2008 £0.3m charge) of exceptional items relating principally to the write off of inter-company debtor and creditor balances
- Profit before and after tax of £12.3m (2008 £0.1m)
- Net assets at year end of £12.7m (2008 £0.5m)

#### **Risk and uncertainties**

The supply of betting and gaming services continues to be subject to a complex, inconsistent and often protectionist approach by jurisdictions worldwide. However, action to address this by international trade bodies (such as the World Trade Organisation and the European Commission) has resulted in the censuring of certain nations and, increasingly, the introduction of regulatory regimes for the activity.

The Group continues to provide its services only from jurisdictions where it is licensed and regulated, and that therefore the supply of services from these jurisdictions (where its regulator and applicable local laws deem the gambling transaction to take place) is explicitly legal.

In order to provide its worldwide gambling service, the Group currently maintains licences in Alderney, Antigua and Barbuda, Australia, South Africa and the UK.

Major issues of note in the last 12 months (all of which have been widely reported) include

- the possibility that the UK will impose financial requirements on offshore operators who target the local gambling market,
- an ongoing move towards liberalisation of the gambling sector in a number of EU jurisdictions, including France, Denmark, Italy (through a wider regulatory regime) and Sweden,
- greater European Commission pressure on EU and EFTA Member States (principally Norway) to justify their national gambling regimes (including proposed new regulatory regimes) in light of the free trade requirements of international law, and
- increasing attempts to impose indirect taxes (via product fees) on gambling operators by certain States in Australia

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

### **Report of the directors for the year ended 31 July 2009**

---

#### **Risk and uncertainties (*continued*)**

##### **1. United Kingdom**

The Group operates a licence granted by the Alderney Gambling Control Commission, and is therefore permitted to advertise in the UK under the Gambling Act 2005, which permits UK advertising for Alderney licensees on the back of Alderney's whitelisted status

In April 2009, the Department for Culture, Media and Sport ("DCMS") announced that overseas gambling operators who advertise in the UK may face new financial and regulatory requirements to ensure a more even financial treatment of UK operators and non-UK operators who target the UK market. The DCMS is due to report its findings to Parliament before the end of 2009.

##### **2. The European Union (EU)**

EU Member States are subject to scrutiny from The European Commission (the "Commission") and, as guardian of the EC Treaty, it closely monitors existing and developing legislation in the EU. The principal method by which the Commission has applied pressure on Member States is through the use of infringement proceedings against EU Member States in contravention of EC law. Through such proceedings, the Commission has asked a number of States to amend their laws restricting the free movement of gambling services. The ongoing pressure from the Commission, and in some cases national court decisions declaring domestic legislation to be incompatible with EC law, has led to a domestic review of prohibitive legislation in a number of jurisdictions, including France, Italy, Sweden and Denmark.

On 9 September 2009, the European Court of Justice (the "ECJ") delivered its judgment in Case C-42/07 between Departamento de Jogos da Santa Casa da Misericórdia de Lisboa ("Santa Casa") and Bwin, and effectively upheld the Portuguese national law restricting certain betting and gaming activities to the State monopoly, Santa Casa. While the ECJ maintained the need for restrictions on gambling services to be justified in the public interest, the judgment is unambiguous in its vindication of State monopolies as an effective method for doing so.

##### **3. France**

France has historically been a staunch opponent of the provision of online gambling services by operators without a French licence.

In light of this approach, the Commission has put substantial pressure on France's domestic regulation of online gambling, stating that its laws are not compatible with EC law. As a result of such pressure, France is to regulate the online gambling sector. Specifically, France will liberalise the online sports betting and skill gaming market (including poker), but will not liberalise online gaming. The draft online gambling law produced by France was subject to a number of critical comments by the Commission, but it is understood that the licensing system it introduces will be in force prior to the World Cup 2010. The Commission is certain to monitor the draft law as it progresses through the French legislature, and it is understood that it will carry out a full assessment of the final version to determine its compatibility with EC law.

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

### **Report of the directors for the year ended 31 July 2009 (Continued)**

---

#### **Risk and uncertainties (continued)**

##### **4. Spain**

As a result of the uncertainty over the legality of the provision of online gambling, which is not expressly prohibited by Spanish law, Spain has historically adopted a tolerant approach to the supply of foreign gambling services into the jurisdiction

Madrid and the Basque Region have both introduced licensing regimes for online betting, which has led to the Spanish government taking steps towards a nationwide system of regulation which will permit operators to obtain a Spanish gambling licence. The draft legislative process is ongoing, and has been subject to criticisms, including accusations of a lack of transparency and failure to consult stakeholders. As a result, other Spanish regions, including Castilla-Leon and La Rioja, have announced their intention to regulate the sector on a regional basis.

##### **5. Italy**

Italy has changed its monopoly-orientated stance on online gambling and has started to permit a number of non-Italian bookmakers to obtain licences to operate online betting offerings from certain outlets such as newsagents, bars and cafes.

In addition, Italy has recently announced that it is to legislate for the licensing of online poker cash games, casino games, betting exchanges and betting on virtual events during the course of 2009. The draft legislation will be submitted to the Commission during the course of 2009, with the intention to commence licensing by the end of 2009.

##### **6. Germany**

Despite criticism from the Commission, the Interstate Gambling Treaty remains in force in Germany. The Treaty effectively provides that all forms of online gambling are unlawful where they are targeted at German residents.

While the current official position in Germany is that the Treaty is not to be amended, we understand that the German government is under intense pressure from the Commission and at a political level internally to amend the legislation. Furthermore, enforcement action against operators where they actively target German residents (including through local marketing) has been curbed due to the lack of clarity in the legal position.

In our view, therefore, legislation that was intended to almost comprehensively block online gambling has had only limited effect and the general inability of the German government to block online gambling websites, coupled with the questionable legality of the legislation, has led to a continued supply of online gambling services, and an absence of extra-territorial enforcement against the activity.

##### **7. Norway**

Outside of the EU, the EFTA Surveillance Authority (the "Authority") has held that draft Norwegian legislation prohibiting the processing of payments for gambling infringes EFTA laws on the freedom to provide services and the free movement of capital. Norway is legally obliged to take account of the Authority's comments and, if it fails to reflect them in the legislation, the Authority is likely to instigate infringement proceedings, formally requiring that the legislation is changed. In our view, such infringement proceedings, if not complied with, may ultimately result in the Norwegian legislation being referred to the EFTA Court by the Authority.

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

### **Report of the directors for the year ended 31 July 2009 (*Continued*)**

---

#### **Risk and uncertainties (*continued*)**

##### **8. Australia**

The lack of consistency in the approach and implementation of state and federal legislation across Australia has resulted in uneven regulation of the online gambling sector. This is particularly evident in the protectionist legislation in relation to the payment of fees for the use of sports products (e.g. race fields and sporting fixtures) which is levied against betting operators in Australia in a supposed bid to prevent illegal gambling and to police the dissemination of information in this field. Such fees are levied on operators licensed in Australia, in addition to taxes they pay in their licensing state.

Race fields legislation exists in every Australian state except the Australian Capital Territory and the Northern Territory, in addition no fees are currently payable in Western Australia and Tasmania as the relevant legislation has not yet come into effect. The race fields legislation, however, is subject to ongoing legal challenge, principally on the grounds that it is an unconstitutional violation of Australian free trade principles. The High Court has already ruled against such fees on the grounds that they are an unfair (and unconstitutional) restriction on competition.

Unlike race fields, and with the exception of Victoria, no state or territory has legislation that specifically requires betting operators to pay fees for the use of sporting fixture information. However, a general principle has developed under which corporate bookmakers enter into direct commercial agreements with the national administrative bodies for each sport. Such agreements typically provide for a fee equivalent to 5% of revenue to be paid to the administrative bodies.

##### **9. United States**

The US continues to prohibit online gambling supplied from offshore.

Despite the current prohibitive position, there have been suggestions that, in light of the economic downturn in the US and the resultant loss of revenue for land-based casino operators, liberalisation may occur in the online gambling market. Increasing pressure from consumers and lobby groups has also resulted in legislative proposals. To date these have not amounted to a change in the existing prohibitive regime.

The Group continues in its discussions with the US Department of Justice to seek clarification of the position of the US Authorities with respect to the Group's previous activities and whether a mutually acceptable resolution is possible. These talks continue and are productive and amicable in their nature. The Board continues to be optimistic of reaching a settlement but has little visibility of the likely timing or quantum.

##### **10. Asia**

The regulatory regime in many Asian countries is currently prohibitive and, at present, the Group has no operations or activities in Asia.

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

### **Report of the directors for the year ended 31 July 2009 (*Continued*)**

---

#### **Risk and uncertainties (*continued*)**

##### **11. Turkey**

Anti-online gambling legislation was introduced in Turkey in February 2007 to underpin the State monopoly, although it remains legal for customers to transact with offshore online operators. The Group continues to accept bets from Turkish residents, although it does not have employees, nor does it conduct advertising in the territory.

#### **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 2009 (*Continued*)**

---

#### **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 profits, 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.

#### **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 2009 the Company had a trade creditor balance of £0.8m (2008: £1.2m). Trade creditors represented 36 days of purchases (2008: 33 days).

#### **Going concern**

The directors have considered the implications of the potential impact of regulatory uncertainties discussed in note 15. The directors have reviewed the cash flow projections for the Company in light of these uncertainties and have considered the financial resources available to the Company. Accordingly, the directors have a reasonable expectation that the Company has adequate resources to continue operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

#### **Directors' responsibilities**

The directors are responsible for preparing the 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).

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. 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



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

### **Report of the directors for the year ended 31 July 2009 (*Continued*)**

---

#### **Directors' responsibilities (*continued*)**

- 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.

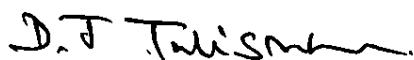
The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### **Auditors**

So far as each of the directors is aware, there is no relevant audit information of which the Company's auditors is unaware. Each of the directors has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors is aware of that information.

Grant Thornton UK LLP have expressed their willingness to continue in office. In accordance with Section 485(4) of the Companies Act 2006 a resolution to reappoint Grant Thornton UK LLP will be proposed at the next Annual General Meeting.

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



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

Date 20 November 2009

## **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 2009, which comprise the Profit and loss account, 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 Sections 495 and 496 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 auditors*

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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 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/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

#### *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 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.

#### *Emphasis of matter – regulatory uncertainty*

In forming our opinion on the financial statements, which is not qualified, we have considered the accuracy of, and draw attention to, the disclosures made in Note 15 regarding the implications of, and uncertainties arising from, regulatory developments concerning on-line gambling and related activities in the United States, Turkey and parts of Europe. There is uncertainty as to the impact of such regulatory developments may have on the company. Note 15 includes a statement that the Board does not consider it probable that a material liability or impairment in the carrying value of assets will arise as a result of any potential action.

## SPORTINGBET (IT SERVICES) LIMITED

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

---

#### *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

#### *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**

*Senior Statutory Auditor*

for and on behalf of Grant Thornton UK LLP

*Statutory Auditor, Chartered Accountants*

London

Date *5 March 2010*

**SPORTINGBET (IT SERVICES) LIMITED****Profit and loss account for the year ended 31 July 2009**

		<b>Year ended 31 July 2009 £000's</b>	<b>Year ended 31 July 2008 £000's</b>
	<b>Note</b>		
<b>Turnover</b>	2	9,422	7,569
Cost of sales		-	-
		<hr/>	<hr/>
<b>Gross profit</b>		9,422	7,569
Administrative expenses		2,918	(7,482)
		<hr/>	<hr/>
<b>Operating profit</b>	3	12,340	87
Operating profit before share option charge		392	806
Share option charge/ (credit)	3	124	(416)
Exceptional items	5	11,824	(303)
		<hr/>	<hr/>
<b>Operating profit</b>	3	12,340	87
Taxation	6	-	-
		<hr/>	<hr/>
<b>Profit on ordinary activities after taxation</b>	11	12,340	87
		<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 12 to 19 form part of these financial statements

**SPORTINGBET (IT SERVICES) LIMITED****Balance sheet at 31 July 2009**

	Note	2009 £000's	2009 £000's	2008 £000's	2008 £000's
<b>Fixed assets</b>					
Tangible assets	7		2,768		2,546
<b>Current assets</b>					
Debtors	8	12,960		9,469	
Cash at bank		593		-	
		<u>13,553</u>		<u>9,469</u>	
<b>Creditors: amounts falling due within one year</b>	9	<u>(3,602)</u>		<u>(11,512)</u>	
<b>Net current liabilities</b>			9,951		(2,043)
<b>Net assets</b>			<u>12,719</u>		<u>503</u>
<b>Capital and reserves</b>					
Called up share capital	10		-		-
Profit and loss account	11		12,719		503
<b>Shareholders' funds</b>			<u>12,719</u>		<u>503</u>

The financial statements were approved by the Board and authorised for issue on 20 November 2009 and signed on their behalf by



**J H Wilkinson**  
Director

The notes on pages 12 to 19 form part of these financial statements

## SPORTINGBET (IT SERVICES) LIMITED

Notes forming part of the financial statements for the year ended 31 July 2009

---

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

#### *Cash flow statement*

The Company is exempt from the requirement under Financial Reporting Standard 1 (Revised) "Cash Flow Statements" to prepare a cash flow statement as its cash flows are consolidated into the financial statements of 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	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 2009 (*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.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

##### *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 2009 (*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 Company has taken the exemption as permitted by SSAP 25 'Segmental Reporting' not to disclose segmental information, on the basis that such information is disclosed in the Group's annual report

### 3 Operating profit

	Year ended 31 July 2009 £000's	Year ended 31 July 2008 £000's
This has been arrived at after charging/(crediting)		
Auditors remuneration	32	20
Depreciation	1,826	885
Operating lease costs	335	503
Share-based payments (see note 12)	(124)	416
Exceptional items (see note 5)	(11,824)	-
Foreign exchange	(26)	(13)
	<u>          </u>	<u>          </u>

The Company has taken the exemption not to disclose non-audit remuneration 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 2009 (Continued)

### 4 Employees

Employees' remuneration and related costs (including executive directors) during the year amounted to

	Year ended 31 July 2009 £000's	Year ended 31 July 2008 £000's
Wages and salaries	3,633	2,948
Social security costs	516	322
Pension contributions (defined contribution scheme)	211	139
	<u>4,360</u>	<u>3,409</u>

No director received any emoluments in respect of his services to the Company (2008 £nil) The average monthly number of full-time persons (including directors) employed by the Company during the year was 64 (2008 47)

### 5 Exceptional items

Included in administrative expenses are exceptional items of £11.8m credit (2008 £0.3m charge), a breakdown of which is set out below

	Year ended 31 July 2009 £000's	Year ended 31 July 2008 £000's
Transfer of licensable activities to the Channel Islands (a)	-	303
Write off of Intercompany debtor and creditor balances (b)	11,824	-
	<u>11,824</u>	<u>303</u>

- (a) The costs relating to the transfer of the licensable activities to Alderney and Guernsey include redundancy, recruitment, training, temporary accommodation and other related costs
- (b) The net impact of the write off of inter-company debtor and creditor balances

### 6 Taxation

	Year ended 31 July 2009 £000's	Year ended 31 July 2008 £000's
<i>Current tax</i>		
UK corporation tax on profits of the year	-	-

The tax assessed for the year is lower than the standard rate of corporation tax in the UK The differences are explained below

# SPORTINGBET (IT SERVICES) LIMITED

Notes forming part of the financial statements for the year ended 31 July 2009 (*Continued*)

## 6 Taxation (*continued*)

	Year ended 31 July 2009 £000's	Year ended 31 July 2008 £000's
Profit on ordinary activities before tax	12,340	87
Profit on ordinary activities at the standard rate of corporation tax in the UK of 28% (2008 – 28%)	3,455	24
Effects of		
Expenses disallowed	(3,145)	133
Movement on share options, including transfers in from other Group companies	-	(307)
Unprovided deferred tax asset acquired on intra-group transfer in of assets	-	(224)
Imputed interest on inter-company balances	115	-
Movement in unprovided deferred tax	-	537
Group relief claimed	(425)	(163)
Current tax charge for year	-	-

## 7 Tangible fixed assets

	Fixtures & fittings £000's	Computer equipment & software £000's	Total £000's
<i>Cost</i>			
At 1 August 2008	671	5,699	6,370
Additions	92	1,956	2,048
At 31 July 2009	763	7,655	8,418
<i>Depreciation</i>			
At 1 August 2008	162	3,662	3,824
Charge for the period	243	1,583	1,826
At 31 July 2009	405	5,245	5,650
<i>Net book value</i>			
At 31 July 2009	358	2,410	2,768
At 31 July 2008	509	2,037	2,546

# SPORTINGBET (IT SERVICES) LIMITED

Notes forming part of the financial statements for the year ended 31 July 2009 (Continued)

8 Debtors	2009 £000's	2008 £000's
Other debtors	193	264
Prepayments and accrued income	429	498
Amounts owed by Group undertakings	12,338	8,707
	<u>12,960</u>	<u>9,469</u>

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

9 Creditors: amounts falling due within one year	2009 £000's	2008 £000's
Amounts owed to Group undertakings	2,160	9,486
Trade creditors	832	1,140
Accruals and deferred expenses	610	886
	<u>3,602</u>	<u>11,512</u>

10 Share capital	2009 £	2008 £
<i>Authorised</i>		
1,000 ordinary shares of £1 each	1,000	1,000
<i>Allotted, issued and fully paid</i>		
1 ordinary £1 share	1	1

11 Reserves	Profit and loss account £000's
At 1 August 2008	503
Retained profit for the year	12,340
Share options charge	(124)
At 31 July 2009	<u>12,719</u>

The movement in shareholders' funds of £12.2m (2008: £0.5m) is wholly represented by the movements shown in reserves above

## SPORTINGBET (IT SERVICES) LIMITED

Notes forming part of the financial statements for the year ended 31 July 2009 (Continued)

### 12 Share-based payments

The ultimate parent company operates three 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 and 2006 share plans satisfy certain performance criteria. The terms of these schemes are discussed in more detail in the Group annual report.

	2009 Weighted average exercise price (p)	2009 No.	2008 Weighted average exercise price (p)	2008 No.
Outstanding at the beginning of the year	-	2,189,493	-	-
Granted during the year	-	1,308,991	-	718,746
Transferred during the year	-	-	-	2,892,704
Exercised during the year	-	(614,943)	-	(843,030)
Lapsed during the year	-	(856,623)	-	(578,927)
Outstanding at the end of the year	-	2,026,918	-	2,189,493

The exercise price of options outstanding at the end of the year was 0p (2008: 0p) and their weighted average contractual life was 874 days (2008: 480 days).

Of the total number of options outstanding at the end of the year, nil share options (2008: nil) had vested and were exercisable.

The weighted average share price (at the date of exercise) of options exercised during the year was 27.33p (2008: 45.0p).

The weighted average fair value of each option granted during the year was 32.49p (2008: 45.75p).

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:

	2009	2008
<b>Equity-settled</b>		
Options pricing model used	Black-Scholes	Black-Scholes
Weighted average share price at grant date (pence)	32.50p	45.75p
Exercise price (pence)	nil	nil
Weighted average contractual life (days)	1,287	480
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 2009 *(Continued)*

---

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

The share-based remuneration expense comprises

	2009 £'000	2008 £'000
Equity-settled schemes	(124)	416

### 13 Parent company

The Company's immediate and 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.

### 14 Related party transactions

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

### 15 Contingent liabilities

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

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

As noted within the Directors' report there have been certain adverse regulatory developments within Turkey and parts of Europe. In addition, the Group as a whole has been impacted by the enactment of the Unlawful Internet Gambling Enforcement Act in the US, in October 2006. Although the Group has ceased taking bets from US resident customers potentially there remains a residual risk associated with the Group's historic US transactions.

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

**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 2009**

	<b>Year ended 31 July 2009 £000's</b>	<b>Year ended 31 July 2008 £000's</b>
<b>Administrative expenses</b>		
Employment costs	4,360	3,409
IT expenses	1,074	986
Depreciation	1,826	885
Contractors	565	505
Rent and Rates	335	503
Exceptional items	(11,824)	303
Share option charge	(124)	416
Recruitment and training	411	176
Telephone	79	120
Travel and entertainment	149	58
Auditors remuneration	33	20
Postage and stationery	24	12
Professional fees	6	16
Bank charges	1	3
Exchange difference	26	(13)
Sundry expenses	82	84
Heat and light	8	-
Other Establishment costs	51	-
	<hr/>	<hr/>
Total	(2,918)	7,482
	<hr/>	<hr/>