

# bet365 Group Limited

## REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

26 March 2006



Company Registration No. 04241161

# bet365 Group Limited

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# bet365 Group Limited

## DIRECTORS AND ADVISORS

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### DIRECTORS

P Coates  
JF Coates  
D Coates  
WW Roseff

### SECRETARY

SJ Adlington

### REGISTERED OFFICE

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

### AUDITORS

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

# bet365 Group Limited

## DIRECTORS' REPORT

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The directors submit their report and the group financial statements of bet365 Group Limited for the 52 week period ended 26 March 2006.

### PRINCIPAL ACTIVITIES

The principal activities of the group are the provision of telephone and internet betting including games and an on-line casino and poker room, mobile betting operations and software development; the group also operated licensed betting shops through its subsidiary company, bet365 (Cash Betting) Limited, until 25 July 2005 when the group disposed of this company.

### REVIEW OF THE BUSINESS

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

The results indicate the success of the group in becoming a recognised provider of online betting and gaming products. All these products have contributed to the results of the period, and the directors intend that the business will continue to improve existing products and introduce new products where appropriate.

On 25 July 2005 the group disposed of a major subsidiary, bet365 (Cash Betting) Limited, generating a group profit on sale of £15.4m.

On 22 May 2006 the group also made an investment through its acquisition of a controlling shareholding in Stoke City Football Club.

### RESULTS AND DIVIDENDS

The group trading profit for the period, before taxation, was £20,583,262 (2005: £3,800,269).

The directors do not recommend the payment of a dividend (2005: £nil) which leaves a profit of £19,578,416 (2005: £2,543,392) to be retained.

### FINANCIAL INSTRUMENTS

The principal financial risk management areas for the group are primarily around cashflow and currency risk. The group manages cashflow by the regular production and update of management information and cashflow forecasts, and it manages its exposure to movements in exchange rates through a process of matching its assets and liabilities for all major currencies. The relevant information and forecasts are regularly reviewed by the board of directors.

### MARKET VALUE OF LAND AND BUILDINGS

The directors are of the opinion that the market value of property at 26 March 2006 would exceed the net book value included in the financial statements, but they are unable to quantify this excess in the absence of a professional valuation, the costs of which are not considered justifiable in view of the group's intention to retain ownership of its existing property for use in its business for the foreseeable future.

### DIRECTORS

The following directors have held office since 28 March 2005:

P Coates  
JF Coates  
D Coates  
WW Roseff

# bet365 Group Limited

## DIRECTORS' REPORT (continued)

### DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Class of shares	Interest at end of period Number	Interest at beginning of period Number
P Coates	Ordinary shares of 1 pence each	134,875	94,700
	"A" Ordinary shares of 1 pence each	17,000	17,000
	"B" Ordinary shares of 1 pence each	-	25,000
JF Coates	Ordinary shares of 1 pence each	52,175	12,000
	"B" Ordinary shares of 1 pence each	-	25,000
D Coates	Ordinary shares of 1 pence each	52,175	12,000
	"B" Ordinary shares of 1 pence each	-	25,000
WW Roseff	Ordinary shares of 1 pence each	40,175	-
	"B" Ordinary shares of 1 pence each	-	25,000

### EMPLOYEES

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

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

### POLITICAL AND CHARITABLE CONTRIBUTIONS

The group made charitable contributions during the period of £11,200 (2005: £20,650) consisting of £6,000 to the John Smith Memorial Trust, £5,000 to the Responsibility in Gambling Trust and £220 to local charities. No political contributions have been made in the period (2005: £nil).

# bet365 Group Limited

## DIRECTORS' REPORT (continued)

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### AUDITORS

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

By order of the board



**SJ Adlington**  
Secretary

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

27 October 2006

# bet365 Group Limited

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

We have audited the financial statements on pages 8 to 30.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## **Basis of audit opinion**

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

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



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BET365 GROUP  
LIMITED

**Opinion**

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and parent company's affairs as at 26 March 2006 and of the group's profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*Baker Tilly*

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

*1 November* 2006

**bet365 Group Limited**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
For the 52 week period ended 26 March 2006

	Note	52 week period ended 26 March 2006			52 week period ended 27 March 2005
		Before exceptional items	Exceptional items	Total	
		£	£	£	£
<b>TURNOVER</b>					
- Continuing operations	1	687,848,360	-	687,848,360	531,719,523
- Discontinued operations	1	26,031,833	-	26,031,833	73,083,642
<b>TURNOVER</b>	2	713,880,193	-	713,880,193	604,803,165
Direct costs	2	(663,289,207)	-	(663,289,207)	(565,097,220)
<b>GROSS PROFIT</b>	2	50,590,986	-	50,590,986	39,705,945
Administrative expenses	2	(46,296,473)	-	(46,296,473)	(35,340,901)
Other operating income	2	51,288	-	51,288	34,661
<b>OPERATING PROFIT</b>					
- Continuing operations	2	4,030,136	-	4,030,136	2,294,860
- Discontinued operations	2	315,665	-	315,665	2,104,845
<b>OPERATING PROFIT</b>	2	4,345,801	-	4,345,801	4,399,705
Profit on sale of subsidiary	23	-	15,425,568	15,425,568	-
Interest receivable and similar income	3	1,155,134	-	1,155,134	211,441
Interest payable and similar charges	4	(343,241)	-	(343,241)	(810,877)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	1-6	5,157,694	15,425,568	20,583,262	3,800,269
Taxation	7			(1,004,846)	(1,256,877)
<b>RETAINED PROFIT FOR THE PERIOD</b>	8			19,578,416	2,543,392

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

**bet365 Group Limited**  
**CONSOLIDATED BALANCE SHEET**  
**At 26 March 2006**

	Note	26 March 2006 £	27 March 2005 £
<b>FIXED ASSETS</b>			
Intangible assets	9	4,173,497	22,613,341
Tangible assets	10	6,476,767	9,752,520
		<u>10,650,264</u>	<u>32,365,861</u>
<b>CURRENT ASSETS</b>			
Deferred tax asset due within one year		1,914,633	1,194,300
Deferred tax asset due in more than one year		1,029,225	2,133,904
		<u>2,943,858</u>	<u>3,328,204</u>
Stocks	12	2,943,858	3,328,204
	13	-	17,161
Debtors	14	1,835,729	1,527,464
Cash at bank and in hand		40,743,775	10,865,899
		<u>45,523,362</u>	<u>15,738,728</u>
<b>CREDITORS: Amounts falling due within one year</b>	15	(17,864,798)	(21,519,177)
		<u>27,658,564</u>	<u>(5,780,449)</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>			
		<u>38,308,828</u>	<u>26,585,412</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>38,308,828</u>	<u>26,585,412</u>
<b>CREDITORS: Amounts falling due in more than one year</b>	16	-	(7,855,000)
		<u>38,308,828</u>	<u>18,730,412</u>
<b>NET ASSETS</b>			
		<u>38,308,828</u>	<u>18,730,412</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	3,214	2,607
Share premium account	18	18,997,394	18,997,394
Profit and loss account	19	19,308,220	(269,589)
		<u>38,308,828</u>	<u>18,730,412</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>			
		<u>38,308,828</u>	<u>18,730,412</u>

The financial statements on pages 8 to 30 were approved by the board of directors and authorised for issue on **27 October** 2006 and are signed on its behalf by:

**JF Coates**  
 Director

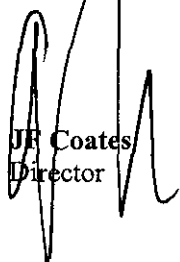
# bet365 Group Limited

## BALANCE SHEET

At 26 March 2006

	Note	26 March 2006		27 March 2005	
		£	£	£	£
<b>FIXED ASSETS</b>					
Investments	11		1	19,000,001	
<b>CURRENT ASSETS</b>					
Debtors due in more than one year	14	40,325,435		-	
<b>CREDITORS: Amounts falling due within one year</b>	15	(372,191)		-	
<b>NET CURRENT ASSETS</b>		<u>39,953,244</u>		-	
<b>NET ASSETS</b>		<u>39,953,245</u>		<u>19,000,001</u>	
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17	3,214		2,607	
Share premium account	18	18,997,394		18,997,394	
Profit and loss account	19	20,952,637		-	
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>39,953,245</u>		<u>19,000,001</u>	

The financial statements on pages 8 to 30 were approved by the board of directors and authorised for issue on 27 October 2006 and are signed on its behalf by:

  
JF Coates  
Director

# bet365 Group Limited

## CONSOLIDATED CASH FLOW STATEMENT

For the 52 week period ended 26 March 2006

	Note	52 week period ended 26 March 2006 £	52 week period ended 27 March 2005 £
CASH FLOW FROM OPERATING ACTIVITIES	20	15,845,448	10,352,436
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		928,199	211,441
Interest paid		(343,241)	(638,023)
NET CASH INFLOW/(OUTFLOW) FOR RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		584,958	(426,582)
TAXATION PAID		(502,061)	(1,005,099)
CAPITAL EXPENDITURE			
Purchase of intangible assets		(2,000)	(6,000)
Purchase of tangible fixed assets		(4,370,353)	(4,862,618)
Sale of tangible fixed assets		150,619	97,045
NET CASH OUTFLOW FOR CAPITAL EXPENDITURE		(4,221,734)	(4,771,573)
ACQUISITIONS AND DISPOSALS			
Sale of subsidiary undertaking		39,110,465	-
Settlement of debt to acquirer of subsidiary undertaking on completion		(9,119,327)	-
NET CASH INFLOW FOR ACQUISITIONS AND DISPOSALS		29,991,138	-
FINANCING			
Additional bank loan		-	5,000,000
Repayment of bank loan		(9,285,000)	(715,000)
Repayment of directors' loans		(2,534,873)	-
NET CASH (OUTFLOW)/INFLOW FOR FINANCING		(11,819,873)	4,285,000
INCREASE IN CASH IN THE PERIOD	21	29,877,876	8,434,182

# bet365 Group Limited

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the 52 week period ended 26 March 2006

	Group		Company	
	52 week period ended 26 March 2006 £	52 week period ended 27 March 2005 £	52 week period ended 26 March 2006 £	52 week period ended 27 March 2005 £
PROFIT FOR THE FINANCIAL PERIOD	<b>19,578,416</b>	2,543,392	<b>20,953,244</b>	-
NET ADDITION TO SHAREHOLDERS' FUNDS	<b>19,578,416</b>	2,543,392	<b>20,953,244</b>	-
Opening shareholders' funds	<b>18,730,412</b>	16,187,020	<b>19,000,001</b>	19,000,001
CLOSING SHAREHOLDERS' FUNDS	<b>38,308,828</b>	18,730,412	<b>39,953,245</b>	19,000,001

# bet365 Group Limited

## ACCOUNTING POLICIES

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### BASIS OF ACCOUNTING

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

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

### BASIS OF CONSOLIDATION

The consolidated financial statements incorporate those of bet365 Group Limited and all of its subsidiary undertakings for the period. Subsidiaries acquired during the period are consolidated using the acquisition method. Their results are incorporated from the date that control passes. The difference between the cost of acquisition of shares in subsidiaries and the fair value of the separable net assets acquired is capitalised. Provision is made for any impairment. All financial statements are made up to 26 March 2006.

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

### CHANGES IN ACCOUNTING POLICIES

The following new FRS's have been adopted, for the first time, in these financial statements:

- FRS 21 – Events after the balance sheet date
- FRS 25 – Financial instruments: Disclosure and presentation (presentation requirements only)
- FRS 28 – Corresponding amounts.

The above standards have not had a material impact on the financial statements. As such no prior period adjustment has been made in these financial statements.

### INTANGIBLE FIXED ASSETS

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

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

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

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

# bet365 Group Limited

## ACCOUNTING POLICIES (continued)

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### TANGIBLE FIXED ASSETS

Depreciation is provided on tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:

Fixtures and fittings	-	15% per annum straight line
Computer equipment	-	33.3% per annum straight line
Motor vehicles	-	25% per annum straight line

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

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

### INVESTMENTS

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

### SOFTWARE DEVELOPMENT

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

### STOCKS AND WORK IN PROGRESS

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

### FOREIGN CURRENCIES

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

### DEFERRED TAXATION

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

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



# bet365 Group Limited

## ACCOUNTING POLICIES (continued)

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### LEASED ASSETS AND OBLIGATIONS

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

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

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

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

### RETIREMENT BENEFITS

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

### TURNOVER

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

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

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

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

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

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

### CASH

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

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 March 2006

### 1 SEGMENTAL REPORT

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

### 2 ANALYSIS OF CONTINUING AND DISCONTINUED OPERATIONS

	52 week period ended 26 March 2006			52 week period ended 27 March 2005		
	Continuing £	Discontinued £	Total £	Continuing £	Discontinued £	Total £
TURNOVER	687,848,360	26,031,833	713,880,193	531,719,523	73,083,642	604,803,165
Direct costs	(641,513,188)	(21,776,019)	(663,289,207)	(503,509,533)	(61,587,687)	(565,097,220)
GROSS PROFIT	46,335,172	4,255,814	50,590,986	28,209,990	11,495,955	39,705,945
Administrative expenses	(42,305,036)	(3,991,437)	(46,296,473)	(25,915,130)	(9,425,771)	(35,340,901)
Other operating income	-	51,288	51,288	-	34,661	34,661
OPERATING PROFIT	4,030,136	315,665	4,345,801	2,294,860	2,104,845	4,399,705

### 3 INTEREST RECEIVABLE AND SIMILAR INCOME

	52 week period ended 26 March 2006 £	52 week period ended 27 March 2005 £
Bank interest	1,155,134	211,441

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 March 2006

4	INTEREST PAYABLE AND SIMILAR CHARGES	52 week period ended 26 March 2006 £	52 week period ended 27 March 2005 £
	On bank loans and overdrafts	-	571,213
	Other interest	343,241	239,664
		<u>343,241</u>	<u>810,877</u>
5	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	52 week period ended 26 March 2006 £	52 week period ended 27 March 2005 £
	Profit on ordinary activities before taxation is stated after charging/(crediting):		
	Depreciation and amounts written off tangible fixed assets:		
	Charge for the period:		
	Owned assets	2,290,611	2,069,393
	Amortisation of intangible assets	-	403,865
	Profit on sale of fixed assets	(3,277)	(60,788)
	Loss on sale of fixed assets related to disposal of subsidiary	485,460	-
	Operating lease rentals:		
	Plant and machinery	232,934	727,411
	Land and buildings	477,663	431,779
	Rent receivable	(18,030)	(34,661)
	Auditors' remuneration – Group:		
	Audit	43,200	28,550
	Fees for other service – Group:		
	Tax compliance	7,800	5,250
	Tax advisory	128,393	8,429
	Further assurance services	3,700	4,700

Further assurance services includes fees paid in respect of auditing assignments to meet specific industry requirements including industry levy calculations. The group audit fee includes £15,000 (2005: £15,000) in respect of the company audit.

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 March 2006

6	EMPLOYEES	52 week period ended 26 March 2006 Number	52 week period ended 27 March 2005 Number
	The average monthly number of persons (including directors) employed by the group during the period was:		
	Managers and supervisors	139	174
	Operations staff	508	396
	Cashiers and cleaners	113	199
		<u>760</u>	<u>769</u>

	52 week period ended 26 March 2006 £	52 week period ended 27 March 2005 £
Staff costs for the above persons:		
Wages and salaries	13,691,028	12,030,009
Social security costs	1,341,721	1,108,018
Other pension costs	239,825	141,060
	<u>15,272,574</u>	<u>13,279,087</u>

### DIRECTORS' REMUNERATION

Emoluments	789,008	624,468
Pension fund contributions	100,000	-
	<u>889,008</u>	<u>624,468</u>

The pension payment was made to the personal pension plan of a director. No directors accrue benefits under the money purchase scheme.

Directors' emoluments disclosed above include the following payments:

	Highest paid director 52 week period ended 26 March 2006 £	52 week period ended 27 March 2005 £
Emoluments	252,137	193,132
Pension fund contributions	100,000	-
	<u>352,137</u>	<u>193,132</u>

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 March 2006

7	TAXATION	52 week period ended 26 March 2006		52 week period ended 27 March 2005	
		£	£	£	£
	Current tax:				
	UK corporation tax on profits of the period	613,191		719,671	
	Overseas tax	29,029		-	
	Adjustments in respect of previous period	815		16,508	
	Total current tax		643,035		736,179
	Deferred tax:				
	Origination and reversal of timing differences	545,862		539,902	
	Adjustments in respect of previous period	(184,051)		(19,204)	
	Total deferred tax		361,811		520,698
	Tax on profit on ordinary activities		1,004,846		1,256,877

Factors affecting tax charge for the period:

	52 week period ended 26 March 2006	52 week period ended 27 March 2005
	£	£
The tax assessed for the period is lower than the standard rate of corporation tax in the UK 30% (2005: 30%). The differences are explained below:		
Profit on ordinary activities before tax	20,583,262	3,800,269
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2005: 30%)	6,174,977	1,140,081
<i>Effects of:</i>		
Expenses not deductible for tax purposes	47,605	175,402
Fixed asset timing differences	138,046	(2,345)
Losses utilised	(670,977)	(329,693)
Lower overseas tax rate	(406,402)	(247,399)
Movement in other timing differences	(13,722)	(16,375)
Adjustments in respect of previous period	815	16,508
Non taxable income arising on sale of subsidiary	(4,627,307)	-
Current tax charge for the period	643,035	736,179

There is no tax charge arising on the profit on sale of the subsidiary.

*Factors that may affect future tax charges*

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

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 March 2006

8	PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY	52 week period ended 26 March 2006 £	52 week period ended 27 March 2005 £
	Dealt with in the financial statements of the parent company	20,953,244	-
	Retained by subsidiary undertakings	(1,374,828)	2,543,392
		<u>19,578,416</u>	<u>2,543,392</u>

9	INTANGIBLE FIXED ASSETS	Goodwill £	Development costs £	Licences £	Total £
	GROUP				
	<i>Cost</i>				
	At beginning of period	4,173,497	2,856,667	18,439,844	25,470,008
	Additions	-	-	2,000	2,000
	Disposals	-	-	(18,441,844)	(18,441,844)
	At end of period	<u>4,173,497</u>	<u>2,856,667</u>	<u>-</u>	<u>7,030,164</u>
	<i>Amortisation</i>				
	At beginning of period	-	2,856,667	-	2,856,667
	Disposals	-	-	-	-
	At end of period	<u>-</u>	<u>2,856,667</u>	<u>-</u>	<u>2,856,667</u>
	<i>Net book value</i>				
	At 26 March 2006	<u>4,173,497</u>	<u>-</u>	<u>-</u>	<u>4,173,497</u>
	At 27 March 2005	<u>4,173,497</u>	<u>-</u>	<u>18,439,844</u>	<u>22,613,341</u>

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 March 2006

### 10 TANGIBLE FIXED ASSETS

	Freehold land and buildings	Fixtures, fittings, and computer equipment	Motor vehicles	Total
	£	£	£	£
<b>GROUP</b>				
<i>Cost</i>				
At beginning of period	2,319,861	11,690,651	648,300	14,658,812
Additions	1,032,198	2,939,376	398,779	4,370,353
Disposals	(1,485,726)	(7,052,241)	(496,396)	(9,034,353)
At end of period	1,866,333	7,577,786	550,683	9,994,802
<i>Depreciation</i>				
At beginning of period	-	4,631,367	274,925	4,906,292
Charged in the period	-	2,131,012	159,599	2,290,611
On disposals	-	(3,421,270)	(257,598)	(3,678,868)
At end of period	-	3,341,109	176,926	3,518,035
<i>Net book value</i>				
<b>At 26 March 2006</b>	<b>1,866,333</b>	<b>4,236,677</b>	<b>373,757</b>	<b>6,476,767</b>
At 27 March 2005	2,319,861	7,059,284	373,375	9,752,520

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 March 2006

### 11 FIXED ASSET INVESTMENTS

Shares in  
group  
undertakings  
£

#### COMPANY

*Cost and net book value:*

At beginning of period

19,000,001

Disposals

(19,000,000)

**At end of period**

**1**

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

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



**bet365 Group Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the 52 week period ended 26 March 2006**

**12 DEFERRED TAXATION ASSET**

	Deferred taxation asset £
<b>GROUP</b>	
At beginning of period	3,328,204
Charge for the period	(361,811)
Transfer on disposal	(22,535)
<b>At end of period</b>	<b>2,943,858</b>

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

	26 March 2006 £	27 March 2005 £
Accelerated capital allowances	221,363	(29,107)
Other timing differences	38,560	7,998
Tax losses	2,683,935	3,349,313
	<b>2,943,858</b>	<b>3,328,204</b>

The deferred tax asset has been recognised based on the directors' assessment of the group's ongoing trading results.

**13 STOCKS**

	<b>Group</b>		<b>Company</b>	
	26 March 2006 £	27 March 2005 £	26 March 2006 £	27 March 2005 £
Consumables	-	17,161	-	-

**14 DEBTORS**

	<b>Group</b>		<b>Company</b>	
	26 March 2006 £	27 March 2005 £	26 March 2006 £	27 March 2005 £
<i>Due within one year:</i>				
Amounts owed by group undertakings	-	-	40,325,435	-
Other debtors	666,579	403,366	-	-
Prepayments and accrued income	1,169,150	1,124,098	-	-
	<b>1,835,729</b>	<b>1,527,464</b>	<b>40,325,435</b>	<b>-</b>

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 March 2006

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

	Group		Company	
	26 March 2006	27 March 2005	26 March 2006	27 March 2005
	£	£	£	£
Bank loans and overdrafts (see note 16)	-	1,430,000	-	-
Trade creditors	12,601,733	12,691,436	-	-
Corporation tax	393,927	252,953	361,191	-
Other taxation and social security costs	309,606	329,136	-	-
Other creditors	1,471,440	3,661,541	11,000	-
Accruals and deferred income	3,088,092	3,154,111	-	-
	<u>17,864,798</u>	<u>21,519,177</u>	<u>372,191</u>	<u>-</u>

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

	Group		Company	
	26 March 2006	27 March 2005	26 March 2006	27 March 2005
	£	£	£	£
Bank loans (see below)	-	7,855,000	-	-
	<u>-</u>	<u>7,855,000</u>	<u>-</u>	<u>-</u>

### ANALYSIS OF DEBT MATURITY

	Group		Company	
	26 March 2006	27 March 2005	26 March 2006	27 March 2005
	£	£	£	£
<i>Amounts payable</i>				
In one year or less	-	1,430,000	-	-
In more than one year but not more than two years	-	1,430,000	-	-
In more than two years but not more than five years	-	4,290,000	-	-
In five years or more	-	2,135,000	-	-
	<u>-</u>	<u>9,285,000</u>	<u>-</u>	<u>-</u>

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

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 March 2006

17	SHARE CAPITAL	26 March 2006 £	27 March 2005 £
	Authorised:		
	Equity: 980,000 (2005: 880,000) Ordinary shares of 1 pence each	9,800	8,800
	17,000 "A" ordinary shares of 1 pence each	170	170
	Nil (2005: 100,000) "B" ordinary shares of 1 pence each	-	1,000
	3,000 "C" ordinary shares of 1 pence each	30	30
		<hr/>	<hr/>
		10,000	10,000
		<hr/>	<hr/>
	Allotted, called up and fully paid:		
	Equity: 304,400 (2005: 143,700) Ordinary shares of 1 pence each	3,044	1,437
	17,000 "A" ordinary shares of 1 pence each	170	170
	Nil (2005: 100,000) "B" ordinary shares of 1 pence each	-	1,000
		<hr/>	<hr/>
		3,214	2,607
		<hr/>	<hr/>

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

The following share movements occurred during the year:

- On 22 July 2005 100,000 of the authorised ordinary shares of 1p each were converted into 100,000 "B" ordinary shares of 1p each;
- On 22 July 2005 a bonus issue was made for 607 "B" ordinary shares of 1p each for every 1,000 "B" ordinary shares held;
- On 22 July 2005 200,000 of the authorised "B" ordinary shares of 1p each were converted into ordinary shares of 1p each;
- On 22 July 2005 160,700 of the issued "B" ordinary shares of 1p each were converted into 160,700 ordinary shares of 1p each.

### *bet365 Group Limited Option Plan*

The bet365 Group Limited share option plan was adopted on 13 March 2003. Options granted under this scheme may be exercised, subject to certain restrictions, from 13 March 2006 up to ten years from grant for eligible employees. In accordance with FRS 20 the company has applied the transitional provisions allowed.

Options over bet365 Group Limited shares outstanding at 26 March 2006 were as follows:

Options at 27 March 2005	Options granted in year	Options lapsed in year	Options exercised in year	Options at 26 March 2006	Exercise price £	Market price at date of exercise £
2430	-	-	-	2430	7.88	N/A

The options outstanding at 26 March 2006 had a remaining weighted average contractual life of 10 years.

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 March 2006

18	RESERVES	Share premium account £
	GROUP	
	At beginning and end of period	18,997,394
	COMPANY	
	At beginning and end of period	18,997,394
19	PROFIT AND LOSS ACCOUNT	Group £      Company £
	At beginning of period	(269,589)      -
	Profit for the period	19,578,416      20,953,244
	Bonus share issue	(607)      (607)
	At end of period	19,308,220      20,952,637
20	RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES	52 week period ended 26 March 2006 £      52 week period ended 27 March 2005 £
	Operating profit	4,345,801      4,399,705
	Depreciation	2,290,611      2,069,393
	Amortisation	-      403,865
	Loss/(profit) on sale of fixed assets	481,620      (60,788)
	Decrease/(increase) in stock	9,911      (1,408)
	Increase in debtors	(640,730)      (525,776)
	Increase in creditors	9,358,235      4,067,445
	NET CASH FLOW FROM OPERATING ACTIVITIES	15,845,448      10,352,436

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 March 2006

### 21 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS £

Increase in cash in the period	29,877,876
Cash inflow from decrease in debt and lease financing	12,569,474

MOVEMENT IN NET FUNDS IN THE PERIOD	42,447,350
NET FUNDS AT 27 MARCH 2005	(1,703,575)

<b>NET FUNDS AT 26 MARCH 2006</b>	<b>40,743,775</b>
-----------------------------------	-------------------

22 ANALYSIS OF NET FUNDS	At 27 March 2005 £	Cash flow £	At 26 March 2006 £
Cash in hand and at bank	10,865,899	29,877,876	40,743,775
Debt due within one year	(1,430,000)	1,430,000	-
Debt due after one year	(7,855,000)	7,855,000	-
Other loans	(3,284,474)	3,284,474	-
Total	(1,703,575)	42,447,350	40,743,775

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 March 2006

### 23 DISPOSAL OF SUBSIDIARY

52 week  
period  
ended 26  
March 2006  
£

#### *Net assets disposed of:*

Intangible assets	18,441,844
Tangible fixed assets	4,723,256
Stock	7,250
Debtors	9,451,792
Creditors	(8,939,245)
	<u>23,684,897</u>

#### *Discharged by:*

Cash	39,330,844
Deal and other costs	(220,379)
	<u>39,110,465</u>

Profit on disposal	<u>15,425,568</u>
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During the year Hillside (LBO Holdings) Limited and bet365 (Cash Betting) Limited were sold. They utilised £68,666 of the group's net operating cash flows, received £1,311,980 in respect of net returns on investments and servicing of finance, paid £220,960 in respect of taxation and utilised £942,939 for capital expenditure, net of disposals.

### 24 CAPITAL COMMITMENTS

	Group		Company	
	26 March 2006 £	27 March 2005 £	26 March 2006 £	27 March 2005 £
Capital expenditure contracted for but not provided in the financial statements	<u>341,910</u>	<u>-</u>	<u>-</u>	<u>-</u>

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 March 2006

### 25 COMMITMENTS UNDER OPERATING LEASES

	Group		Company	
	26 March 2006	27 March 2005	26 March 2006	27 March 2005
	£	£	£	£
At 26 March 2006 the group was committed to making the following payments during the next year under non-cancellable operating leases as follows:				
Plant and machinery				
Expiring between two and five years	40,896	626,024	-	-
Land and building				
Expiring within one year	-	51,520	-	-
Expiring between two and five years	-	103,240	-	-
Expiring after five years	32,900	471,965	-	-
	<u>73,796</u>	<u>1,252,749</u>	<u>-</u>	<u>-</u>

### 26 CONTINGENT LIABILITIES

The group has cross-guaranteed the overdraft and loans of its fellow group companies; the amount outstanding at the period end was £nil (2005: £9,285,000).

### 27 PENSION COMMITMENTS

The group operates a defined contribution (money purchase) pension scheme whose assets are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group and amounted to £239,825 (2005: £141,060). Contributions amounting to £nil (2005: £20,310) were payable to the scheme at the period end and are included in creditors.

At the year end £100,000 was payable on behalf of a director to their personal pension plan.

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 March 2006

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### 28 RELATED PARTY TRANSACTIONS

During the financial year the group had the following transactions with related parties as defined by FRS 8:

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

At 26 March 2006 £570 was receivable from (2005: £1,016,974 payable to) H Backhouse (Baker Street) Limited.

#### *Directors' loans*

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

	P Coates £	JF Coates £	D Coates £	WW Roseff £
<i>Amounts outstanding:</i>				
At beginning of period	2,249,323	47,998	219,731	17,821
	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Highest balance in period	2,249,323	48,103	220,960	17,821
	<hr/>	<hr/>	<hr/>	<hr/>

Interest is charged on the loans on an arms-length basis at 6.86% and amounted to £105,660 in the year.

### 29 POST BALANCE SHEET EVENTS

On 22 May 2006, the group invested £10m in Stoke City Football Club Limited (SCFC) to acquire a controlling shareholding in the Club and to provide further financial support.

Under the terms of the sale and purchase agreement, additional payments may need to be made contingent on the outcome of future events, the outcome of which is currently uncertain.