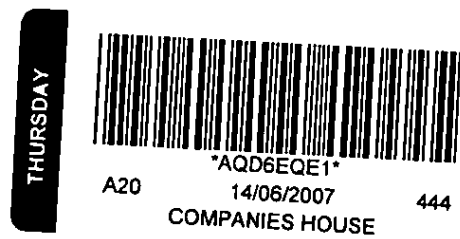


bet365 Group Limited

REPORT AND FINANCIAL STATEMENTS

25 March 2007



Company Registration No 04241161

bet365 Group Limited

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bet365 Group Limited

DIRECTORS AND ADVISORS

DIRECTORS

P Coates

JF Coates

D Coates

WW Roseff

SECRETARY

SJ Adlington

REGISTERED OFFICE

Hillside

Festival Way

Stoke-on-Trent

Staffordshire

ST1 5SH

AUDITORS

Baker Tilly UK Audit LLP

Chartered Accountants

Festival Way

Stoke-on-Trent

Staffordshire

ST1 5BB

bet365 Group Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of bet365 Group Limited for the 52 week period ended 25 March 2007

PRINCIPAL ACTIVITIES

The principal activities of the Group are the provision of internet and telephone betting along with an online casino, games and poker room, mobile betting operations and software development. The Group is also the majority shareholder in Stoke City Football Club, which it acquired during the period.

RESULTS AND DIVIDENDS

The Group's profit before taxation for the period comprised of £15,039,952 (2006 £5,157,694) from its gambling operations and a loss of £2,373,072 on Stoke City Football club, resulting in a combined Group profit of £12,666,880 (2006 £20,583,262) for the year. The 2006 results included an exceptional profit of £15,425,568 from the sale of its licensed betting shops on 25 July 2005.

The directors do not recommend the payment of a dividend (2006 nil) which leaves a profit of £9,564,922 (2006 £19,578,416) to be retained.

REVIEW OF THE BUSINESS

The year saw further significant growth for the Group in its core remote betting and gaming business. There was growth in contribution over the previous year in all the main products – Sportsbook, Casino, Poker and Games. This growth occurred both from our UK customer base and from customers located outside the UK. The Group does not take bets from customers located in the US.

Most of the increased contribution for the Sportsbook came from the growth in the number of transactions arising from the continued expansion in the customer base, with the amounts wagered per transaction and overall margins similar to the previous year.

The majority of bets continued to be placed via the internet, with the Group continuing to focus on further development and improvement in its in-house software. Bets are also taken by telephone, and, during the year, the Group successfully launched its mobile betting operation.

The Group's online casino, games and poker room all showed strong growth in the year, benefiting from the Group's strength of brand, high customer service levels and product offerings, despite the market for online gaming, particularly poker, now becoming increasingly competitive.

On 11 December 2006 the Group acquired part of the trade of Bowmans International Sports (IOM) Limited with an initial consideration of £3.3m and estimated deferred consideration of £2m. This acquisition has successfully added to the Group's customer base outside the UK.

On 22 May 2006 the Group invested £10m in Stoke City Football Club to acquire a controlling interest and to provide further financial support. The Group's share of the Stoke City Football Club subsidiary's losses for the year from the date of acquisition was £2,373,072.

The key performance indicators used by senior management in the assessment above are as follows:

Sportsbook – Amounts wagered, number of bets, average stake per bet and margin. These KPIs are further split according to location of customer, the source of bet (internet, telephone or mobile) and whether the bet is pre-match or in-play.

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

bet365 Group Limited

DIRECTORS' REPORT

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

Costs are carefully budgeted and variances analysed and explained

RISKS AND UNCERTAINTIES

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

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

FUTURE DEVELOPMENTS

The Directors intend that the business will continue to improve existing products and introduce new products where appropriate The changing worldwide gambling and leisure industries may or may not provide opportunities for further acquisitions by the Group

FINANCIAL INSTRUMENTS

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

HEDGING FOREIGN EXCHANGE TRANSACTIONS

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

RESEARCH AND DEVELOPMENT

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

bet365 Group Limited

DIRECTORS' REPORT

MARKET VALUE OF LAND AND BUILDINGS

The directors are of the opinion that the market value of property at 25 March 2007 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 27 March 2006

P Coates
JF Coates
D Coates
WW Roseff

DIRECTORS' INTERESTS IN SHARES

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

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

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 £31,444 (2006 £11,200) consisting of £7,500 to the NSPCC, £10,000 to the Responsibility in Gambling Trust and £13,944 to local charities. The group made political contributions of £50,000 (2006 £nil) to the Labour Party

bet365 Group Limited

DIRECTORS' REPORT

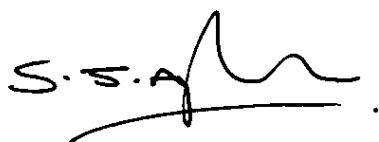
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

AUDITORS

The directors, having been notified of the cessation of the partnership known as Baker Tilly, resolved that Baker Tilly UK Audit LLP be appointed as successor auditor with effect from 1 April 2007, in accordance with the provisions of the Companies Act 1989, s26(5). Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

By order of the board



SJ Adlington
Secretary

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

6 June 2007

bet365 Group Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BET365 GROUP LIMITED

We have audited the financial statements on pages 9 to 37

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

Respective responsibilities of directors and auditors

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

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

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

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BET365 GROUP LIMITED

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 25 March 2007 and of the group's profit for the 52 week period then ended and have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP

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

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bet365 Group Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the 52 week period ended 25 March 2007

| | | 52 week period ended 25 March 2007 | | | 52 week period ended 26 March 2006 |
|--|------|------------------------------------|--------------------------|--------------|------------------------------------|
| | Note | Sportsbook and gaming | Stoke City Football Club | Total | |
| | | £ | £ | £ | £ |
| AMOUNTS WAGERED | | 985,818,968 | - | 985,818,968 | 687,848,360 |
| TURNOVER | | | | | |
| - Continuing operations | 1 | 91,313,750 | 6,560,100 | 97,873,850 | 58,367,477 |
| - Discontinued operations | 1 | - | - | - | 5,194,884 |
| TURNOVER | 2 | 91,313,750 | 6,560,100 | 97,873,850 | 63,562,361 |
| Operating expenses | 2 | (77,886,108) | (10,038,967) | (87,925,075) | (59,267,848) |
| Other operating income | 2 | - | - | - | 51,288 |
| OPERATING PROFIT/(LOSS) | | | | | |
| - Continuing operations | 2 | 13,427,642 | - | 13,427,642 | 4,030,136 |
| - Acquisition | 2 | - | (3,478,867) | (3,478,867) | - |
| - Discontinued operations | 2 | - | - | - | 315,665 |
| OPERATING PROFIT/(LOSS) | 2 | 13,427,642 | (3,478,867) | 9,948,775 | 4,345,801 |
| Income from interests in associated undertakings | 11 | - | 131,490 | 131,490 | - |
| Profit on disposal of players' registrations | | - | 950,175 | 950,175 | - |
| Profit on sale of subsidiary | | - | - | - | 15,425,568 |
| Interest receivable and similar income | 3 | 1,612,310 | 57,148 | 1,669,458 | 1,155,134 |
| Interest payable and similar charges | 4 | - | (33,018) | (33,018) | (343,241) |
| PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION | 1-6 | 15,039,952 | (2,373,072) | 12,666,880 | 20,583,262 |
| Taxation | 7 | | | (3,101,958) | (1,004,846) |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | | | 9,564,922 | 19,578,416 |
| Equity minority interests | 22 | | | - | - |
| PROFIT FOR THE PERIOD | 21 | | | 9,564,922 | 19,578,416 |

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 25 March 2007

| | Note | 25 March 2007 £ | 26 March 2006 £ |
|--|------|--------------------|--------------------|
| FIXED ASSETS | | | |
| Intangible assets | 8 | 19,415,226 | 4,173,497 |
| Tangible assets | 9 | 7,410,041 | 6,476,767 |
| Interest in associated undertaking | 11 | 5,157,833 | - |
| | | <u>31,983,100</u> | <u>10,650,264</u> |
| CURRENT ASSETS | | | |
| Deferred tax asset due within one year | | 645,303 | 1,914,633 |
| Deferred tax asset due in more than one year | | - | 1,029,225 |
| | | <u>645,303</u> | <u>2,943,858</u> |
| Stocks | 13 | 135,013 | - |
| Debtors | 14 | 4,125,470 | 1,835,729 |
| Cash at bank and in hand | 15 | 46,766,485 | 40,743,775 |
| | | <u>51,672,271</u> | <u>45,523,362</u> |
| CREDITORS Amounts falling due within one year | 16 | (27,913,108) | (17,864,798) |
| NET CURRENT ASSETS | | <u>23,759,163</u> | <u>27,658,564</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>55,742,263</u> | <u>38,308,828</u> |
| CREDITORS Amounts falling due in more than one year | 17 | (5,748,093) | - |
| PROVISIONS FOR LIABILITIES AND CHARGES | 18 | (2,120,420) | - |
| NET ASSETS | | <u>47,873,750</u> | <u>38,308,828</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 19 | 3,214 | 3,214 |
| Share premium account | 20 | 18,997,394 | 18,997,394 |
| Profit and loss reserve | 21 | 28,873,142 | 19,308,220 |
| Minority interest | 22 | - | - |
| EQUITY SHAREHOLDERS' FUNDS | | <u>47,873,750</u> | <u>38,308,828</u> |

The financial statements on pages 9 to 37 were approved by the board of directors and authorised for issue on 6 June 2007 and are signed on its behalf by

JF Coates
Director

bet365 Group Limited

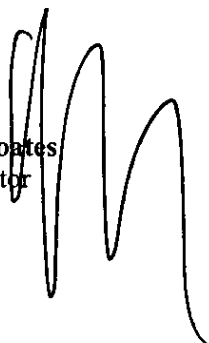
BALANCE SHEET

At 25 March 2007

| | Note | 25 March 2007 £ | 26 March 2006 £ |
|---|------|--------------------|--------------------|
| FIXED ASSETS | | | |
| Investments | 10 | 2 | 1 |
| CURRENT ASSETS | | | |
| Debtors | 15 | 41,474,825 | 40,325,435 |
| CREDITORS Amounts falling due within one year | 16 | (464,175) | (372,191) |
| NET CURRENT ASSETS | | 41,010,650 | 39,953,244 |
| NET ASSETS | | 41,010,652 | 39,953,245 |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 19 | 3,214 | 3,214 |
| Share premium account | 20 | 18,997,394 | 18,997,394 |
| Profit and loss reserve | 21 | 22,010,044 | 20,952,637 |
| EQUITY SHAREHOLDERS' FUNDS | | 41,010,652 | 39,953,245 |

The financial statements on pages 9 to 37 were approved by the board of directors and authorised for issue on 6 June 2007 and are signed on its behalf by

JF Coates
Director



bet365 Group Limited
CONSOLIDATED CASH FLOW STATEMENT
For the 52 week period ended 25 March 2007

| | Note | 52 week period ended 25 March 2007 £ | 52 week period ended 26 March 2006 £ |
|---|------|---|---|
| CASH FLOW FROM OPERATING ACTIVITIES | 23 | 15,927,361 | 15,845,448 |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | |
| Interest received | | 1,302,337 | 928,199 |
| Interest paid | | (33,018) | (343,241) |
| NET CASH INFLOW FOR RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | 1,269,319 | 584,958 |
| TAXATION | | (376,006) | (502,061) |
| CAPITAL EXPENDITURE | | | |
| Purchase of intangible assets | | (1,445,667) | (2,000) |
| Sale of intangible assets | | 1,199,153 | - |
| Purchase of tangible fixed assets | | (2,458,659) | (4,370,353) |
| Sale of tangible fixed assets | | 18,349 | 150,619 |
| NET CASH OUTFLOW FOR CAPITAL EXPENDITURE | | (2,686,824) | (4,221,734) |
| ACQUISITIONS AND DISPOSALS | | | |
| Sale of subsidiary undertaking | | - | 39,110,465 |
| Settlement of debt to acquirer of subsidiary undertaking on completion | | - | (9,119,327) |
| Acquisition of a trade | | (3,323,929) | - |
| Acquisition of a subsidiary | | (5,076,300) | - |
| NET CASH (OUTFLOW)/INFLOW FOR ACQUISITIONS AND DISPOSALS | | (8,400,229) | 29,991,138 |
| FINANCING | | | |
| Repayment of bank loan | | - | (9,285,000) |
| Repayment of directors' loans | | - | (2,534,873) |
| NET CASH OUTFLOW FOR FINANCING | | - | (11,819,873) |
| INCREASE IN CASH EQUIVALENTS IN THE PERIOD | 25 | 5,733,621 | 29,877,876 |

bet365 Group Limited

RECONCILIATIONS OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the 52 week period ended 25 March 2007

| | Group | | Company | |
|-------------------------------------|--|--|--|--|
| | 52 week period ended 25 March 2007 £ | 52 week period ended 26 March 2006 £ | 52 week period ended 25 March 2007 £ | 52 week period ended 26 March 2006 £ |
| PROFIT FOR THE FINANCIAL PERIOD | 9,564,922 | 19,578,416 | 1,057,407 | 20,953,244 |
| NET ADDITION TO SHAREHOLDERS' FUNDS | 9,564,922 | 19,578,416 | 1,057,407 | 20,953,244 |
| Opening shareholders' funds | 38,308,828 | 18,730,412 | 39,953,245 | 19,000,001 |
| CLOSING SHAREHOLDERS' FUNDS | 47,873,750 | 38,308,828 | 41,010,652 | 39,953,245 |

bet365 Group Limited

ACCOUNTING POLICIES

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 the bet365 Group Limited group

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 25 March 2007 except for Kidsgrove Road Limited and Stoke City Football Club Limited which have a 31 May 2007 year end. This is to align the financial year end with the commercial considerations of the entities. Detailed management accounts at 31 March 2007 have been used as a basis for the consolidation of these subsidiaries.

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

CHANGES IN ACCOUNTING POLICES AND ESTIMATION TECHNIQUES

The following new Statutory Instruments (SI) have been adopted for the first time, in these financial statements:

- SI 2004/2947 – The Companies Act 1985 (International Accounting Standards and other Accounting Amendments) Regulations 2004
- SI 2004/3322 – Companies (Audit, Investigations and Community Enterprise) Act 2004
- SI 2005/1011 – The Companies Act 1985 (Operating and Financial Review and Directors' Report etc) Regulations 2005

None of the SIs have had a significant effect on the prior year results and as such no prior year 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 bet365 brand and Stoke City Football Club are considered to have an indefinite useful economic life and will not be amortised but subject to an annual impairment review, with any permanent diminution in value being charged directly to the profit and loss account in the period in which it occurs.
- The goodwill arising on the acquisition of the trade of Bowmans International Sports (IOM) Limited is written off evenly over 5 years as in the opinion of the directors this represents the period over which the goodwill is effective.

bet365 Group Limited

ACCOUNTING POLICIES

INTANGIBLE FIXED ASSETS (continued)

- The third party costs associated with the acquisition of players' registrations and coaching staff are capitalised and amortised on a straight line basis over the period of their respective contracts. Any transfer fees payable as a result of the occurrence of one or more uncertain future events are capitalised when it is probable such an event will occur. Provision for impairment is made when it becomes clear that any diminution in value has occurred. In accordance with FRS 10, no amounts are included for players developed within the Club.

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

TANGIBLE FIXED ASSETS

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

| | | |
|------------------------------|---|-------------------------------|
| Freehold land and buildings | - | No depreciation charged |
| Leasehold land and buildings | - | Over the life of the lease |
| Fixtures and fittings | - | 15% per annum straight line |
| Computer equipment | - | 33.3% per annum straight line |
| Motor vehicles | - | 25% per annum straight line |

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

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

INVESTMENTS

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

Undertakings in which the group has a participating interest of not less than 20% in the voting capital and over which it exerts significant influence are defined as associated undertakings. The financial statements include the appropriate share of the results and reserves of these undertakings. The associated undertaking has a 31 March financial year end.

SOFTWARE DEVELOPMENT

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

STOCKS AND WORK IN PROGRESS

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

bet365 Group Limited

ACCOUNTING POLICIES

FOREIGN CURRENCIES

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

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

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.

GRANTS

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

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

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

DEFERRED INCOME

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

LEASED ASSETS AND OBLIGATIONS

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.

bet365 Group Limited

ACCOUNTING POLICIES

RETIREMENT BENEFITS

The group contributes to a number of schemes

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

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

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

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

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

AMOUNTS WAGERED

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

TURNOVER

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

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

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

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

Turnover recognition has been restated from amounts wagered to a gross win basis for the sportsbook, internet and telephone betting operations, as the directors consider this to be a fairer representation of the results of the business and is in line with current industry disclosures.

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

CASH

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

bet365 Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 25 March 2007

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, DISCONTINUED AND ACQUIRED OPERATIONS

| | 52 week period ended 25 March 2007 | | | 52 week period ended 26 March 2006 | | |
|-------------------------|--|---|--------------|--|---|--------------|
| | Continuing Sportsbook and gaming | Acquisition Stoke City Football Club | Total | Continuing Sportsbook and gaming | Discontinued bet365 (Cash Betting) Limited | Total |
| | £ | £ | £ | £ | £ | £ |
| TURNOVER | 91,313,750 | 6,560,100 | 97,873,850 | 58,367,477 | 5,194,884 | 63,562,361 |
| Operating expenses | (77,886,108) | (10,038,967) | (87,925,075) | (54,337,341) | (4,930,507) | (59,267,848) |
| Other operating income | - | - | - | - | 51,288 | 51,288 |
| OPERATING PROFIT/(LOSS) | 13,427,642 | (3,478,867) | 9,948,775 | 4,030,136 | 315,665 | 4,345,801 |

3 INTEREST RECEIVABLE AND SIMILAR INCOME

| | 52 week period ended 25 March 2007 | 52 week period ended 26 March 2006 |
|---------------|------------------------------------|------------------------------------|
| | £ | £ |
| Bank interest | 1,669,458 | 1,155,134 |

4 INTEREST PAYABLE AND SIMILAR CHARGES

| | 52 week period ended 25 March 2007 | 52 week period ended 26 March 2006 |
|------------------------------|------------------------------------|------------------------------------|
| | £ | £ |
| On bank loans and overdrafts | 33,018 | - |
| Other interest | - | 343,241 |
| | 33,018 | 343,241 |

bet365 Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 25 March 2007

| 5 | PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION | 52 week period ended 25 March 2007 £ | 52 week period ended 26 March 2006 £ |
|---|---|---|---|
| | Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting) | | |
| | Depreciation and amounts written off tangible fixed assets | | |
| | Charge for the period | | |
| | Owned assets | 2,265,700 | 2,290,611 |
| | Amortisation of player registrations | 1,054,742 | - |
| | Amortisation of goodwill | 354,950 | - |
| | Profit on sale of fixed assets – included in operating expenses | (2,937) | (3,840) |
| | Loss on sale of fixed assets related to disposal of subsidiary | - | 485,460 |
| | Operating lease rentals | | |
| | Plant and machinery | - | 232,934 |
| | Land and buildings | 709,519 | 819,529 |
| | Grants released | (47,000) | - |
| | Rent receivable | - | (18,030) |
| | | <hr/> | <hr/> |
| | Audit services | | |
| | Statutory audit | 44,555 | 43,200 |
| | Further assurance services | 5,250 | 3,700 |
| | Tax services | | |
| | Compliance services | 9,830 | 7,800 |
| | Advisory services | 123,495 | 128,393 |
| | | <hr/> | <hr/> |
| | | 183,130 | 183,093 |
| | | <hr/> | <hr/> |
| | Comprising | | |
| | Audit services | 44,555 | 43,200 |
| | Non-audit services | 138,575 | 139,893 |
| | | <hr/> | <hr/> |
| | | 183,130 | 183,093 |
| | | <hr/> | <hr/> |

Further assurance services includes fees paid in respect of auditing assignments to meet specific industry requirements including industry levy calculations. The group audit fee includes £13,705 (2006 £15,000) in respect of the company audit.

bet365 Group Limited
NOTES TO THE FINANCIAL STATEMENTS
For the 52 week period ended 25 March 2007

| | | | |
|----------|--|---|--|
| 6 | EMPLOYEES | 52 week period ended 25 March 2007 Number | 52 week period ended 26 March 2006 Number |
| | The average monthly number of persons (including directors) employed by the group during the period was | | |
| | Managers and supervisors | 78 | 139 |
| | Operations staff | 546 | 508 |
| | Cashiers and cleaners | - | 113 |
| | Full time playing staff and scholars | 46 | - |
| | Other staff | 88 | - |
| | | <u>758</u> | <u>760</u> |
| | | | |
| | | 52 week period ended 25 March 2007 £ | 52 week period ended 26 March 2006 £ |
| | Staff costs for the above persons | | |
| | Wages and salaries | 19,579,334 | 13,691,028 |
| | Social security costs | 1,928,535 | 1,341,721 |
| | Other pension costs | 789,412 | 239,825 |
| | | <u>22,297,281</u> | <u>15,272,574</u> |
| | | | |
| | DIRECTORS' REMUNERATION | | |
| | Emoluments | 1,303,308 | 789,008 |
| | Pension fund contributions | 276,986 | 100,000 |
| | | <u>1,580,294</u> | <u>889,008</u> |
| | | | |
| | The pension payments in 2006 and 2007 were made to the personal pension plans of the directors No directors accrue benefits under the money purchase scheme | | |
| | Directors' emoluments disclosed above include the following payments | Highest paid director 52 week period ended 25 March 2007 £ | 52 week period ended 26 March 2006 £ |
| | Emoluments | 411,688 | 252,137 |
| | Pension fund contributions | 100,000 | 100,000 |
| | | <u>511,688</u> | <u>352,137</u> |

bet365 Group Limited
NOTES TO THE FINANCIAL STATEMENTS
For the 52 week period ended 25 March 2007

| 7 | TAXATION | 52 week period ended 25 March 2007 | | 52 week period ended 26 March 2006 | |
|---|---|---------------------------------------|--|---------------------------------------|--|
| | | £ | £ | £ | £ |
| | Current tax | | | | |
| | UK corporation tax on profits of the period | 659,303 | | 613,191 | |
| | Foreign tax | 99,443 | | 29,029 | |
| | Adjustments in respect of previous period | - | | 815 | |
| | Share of associates tax | 44,657 | | - | |
| | | | | | |
| | Total current tax | | 803,403 | | 643,035 |
| | Deferred tax | | | | |
| | Origination and reversal of timing differences | 2,302,060 | | 545,862 | |
| | Adjustments in respect of previous period | (3,505) | | (184,051) | |
| | | | | | |
| | Total deferred tax | | 2,298,555 | | 361,811 |
| | | | | | |
| | Tax on profit on ordinary activities | | 3,101,958 | | 1,004,846 |
| | | | | | |
| | Factors affecting tax charge for the period | | 52 week period ended 25 March 2007 £ | | 52 week period ended 26 March 2006 £ |
| | The tax assessed for the period is lower than the standard rate of corporation tax in the UK 30% (2006 30%) The differences are explained below | | | | |
| | Profit/(loss) on ordinary activities before tax | | 12,666,880 | | 20,583,262 |
| | | | | | |
| | Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2006 30%) | | 3,800,064 | | 6,174,979 |
| | <i>Effects of</i> | | | | |
| | Expenses not deductible for tax purposes | | 33,621 | | 47,605 |
| | Fixed asset timing differences | | 104,870 | | 138,046 |
| | Losses utilised | | (2,564,387) | | (670,977) |
| | Lower overseas tax rate | | (1,450,205) | | (406,402) |
| | Movement in other timing differences | | 9,440 | | (13,724) |
| | Adjustments in respect of previous period | | - | | 815 |
| | Non taxable income arising on sale of subsidiary | | - | | (4,627,307) |
| | Tax on overseas dividend | | 870,000 | | - |
| | | | | | |
| | Current tax charge for the period | | 803,403 | | 643,035 |

bet365 Group Limited
NOTES TO THE FINANCIAL STATEMENTS
For the 52 week period ended 25 March 2007

8 INTANGIBLE FIXED ASSETS

| | Goodwill | Player registrations | Total |
|-------------------------|-------------------|-------------------------|-------------------|
| | £ | £ | £ |
| GROUP | | | |
| <i>Cost</i> | | | |
| At beginning of period | 4,173,497 | - | 4,173,497 |
| Acquisitions | 13,971,977 | 1,482,755 | 15,454,732 |
| Additions | - | 1,445,667 | 1,445,667 |
| Disposals | - | (564,805) | (564,805) |
| | <hr/> | <hr/> | <hr/> |
| At end of period | 18,145,474 | 2,363,617 | 20,509,091 |
| | <hr/> | <hr/> | <hr/> |
| <i>Amortisation</i> | | | |
| At beginning of period | - | - | - |
| Charge for period | 354,950 | 1,054,742 | 1,409,692 |
| On disposals | - | (315,827) | (315,827) |
| | <hr/> | <hr/> | <hr/> |
| At end of period | 354,950 | 738,915 | 1,093,865 |
| | <hr/> | <hr/> | <hr/> |
| <i>Net book value</i> | | | |
| At 25 March 2007 | 17,790,524 | 1,624,702 | 19,415,226 |
| | <hr/> | <hr/> | <hr/> |
| At 26 March 2006 | 4,173,497 | - | 4,173,497 |
| | <hr/> | <hr/> | <hr/> |

bet365 Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 25 March 2007

9 TANGIBLE FIXED ASSETS

| | Freehold land and buildings | Leasehold land and buildings | Fixtures, fittings, and computer equipment | Motor vehicles | Total |
|------------------------|-----------------------------------|------------------------------------|---|-------------------|------------|
| | £ | £ | £ | £ | £ |
| GROUP | | | | | |
| <i>Cost</i> | | | | | |
| At beginning of period | 1,866,333 | - | 8,922,581 | 582,838 | 11,371,752 |
| Acquisitions | 17,958 | 607,443 | - | 130,326 | 755,727 |
| Additions | 653,733 | 4,750 | 1,563,447 | 236,729 | 2,458,659 |
| Disposals | (11,950) | - | - | (66,555) | (78,505) |
| At end of period | 2,526,074 | 612,193 | 10,486,028 | 883,338 | 14,507,633 |
| <i>Depreciation</i> | | | | | |
| At beginning of period | - | - | 4,685,905 | 209,080 | 4,894,985 |
| Charged in the period | - | 60,923 | 1,983,692 | 221,085 | 2,265,700 |
| On disposals | - | - | - | (63,093) | (63,093) |
| At end of period | - | 60,923 | 6,669,597 | 367,072 | 7,097,592 |
| <i>Net book value</i> | | | | | |
| At 25 March 2007 | 2,526,074 | 551,270 | 3,816,431 | 516,266 | 7,410,041 |
| At 26 March 2006 | 1,866,333 | - | 4,236,676 | 373,758 | 6,476,767 |

The net book value of leasehold land and buildings comprises

| | |
|-----------------|-----------------------|
| | 25 March 2007 £ |
| Long leasehold | 11,429 |
| Short leasehold | 539,481 |
| | 551,270 |

Depreciation in respect of long leasehold properties in the period was £4,936 and £55,987 in respect of short leasehold properties

bet365 Group Limited
NOTES TO THE FINANCIAL STATEMENTS
For the 52 week period ended 25 March 2007

10 FIXED ASSET INVESTMENTS

Shares in
group
undertakings
£

COMPANY

Cost and net book value

At beginning of period

1

Addition

1

At end of period

2

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

| | <i>Country of registration</i> | <i>Principal activity</i> | <i>Percentage of ordinary shares held</i> | |
|--|------------------------------------|--|---|----------------|
| | | | <i>Group</i> | <i>Company</i> |
| <i>Subsidiary undertaking</i> | | | | |
| Hillside (New Media Holdings) Limited | UK | Holding company | 100% | 100% |
| Hillside (New Media) Limited | UK | Provision of telephone, internet and mobile betting and software development | 100% | - |
| bet365 International NV | Netherlands Antilles | Provision of on-line casino and poker room | 100% | - |
| Hillside (Leisure) Limited | UK | Dormant | 100% | - |
| Kidsgrove Road Limited | UK | Holding company | - | 100% |
| Stoke City Football Club Limited | UK | Football Club | 84.4% | - |
| Hillside (Alderney) Limited | Alderney | Dormant | 100% | - |
| Hillside (Malta Holdings) Limited | Malta | Dormant | 100% | 0.1% |
| Hillside (Malta) Limited | Malta | Dormant | 100% | 0.1% |
| <i>Associated undertaking</i> | | | | |
| Stoke-on-Trent Community Stadium Development Company Limited | UK | Provision of Stadium facility | 41.36% | - |

bet365 Group Limited
NOTES TO THE FINANCIAL STATEMENTS
For the 52 week period ended 25 March 2007

11 INTEREST IN ASSOCIATED UNDERTAKING

The group's share in the profit and loss account and balance sheet of the associate can be summarised as follows

| | 25 March 2007 £ |
|----------------------------------|-----------------------|
| Profit before taxation | 131,490 |
| Taxation | (44,657) |
| | <hr/> |
| Profit after taxation | 86,833 |
| | <hr/> |
| Share capital | 1,960,000 |
| Share premium | 7,040,000 |
| Profit and loss reserve | 86,833 |
| | <hr/> |
| | 9,086,833 |
| Provision for impairment | (3,929,000) |
| | <hr/> |
| | 5,157,833 |
| | <hr/> |
| Capital commitments – contracted | - |
| | <hr/> |

bet365 Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 25 March 2007

12 ACQUISITIONS

On 11 December 2006 the group acquired part of the trade of Bowmans International Sports (IOM) Limited for initial consideration of £3,323,929 and estimated deferred consideration of £2,000,000. The fair value of consideration paid will be finalised in the financial statements up to March 2012.

| | Initial book and fair value at date of acquisition £ |
|--|--|
| Acquired goodwill split by subsidiary undertakings | |
| Hillside (New Media) Limited | 4,308,850 |
| bet365 International NV | 1,015,079 |
| | <hr/> |
| Total goodwill | 5,323,929 |
| | <hr/> |

The consideration is analysed as follows

| | £ |
|--|-----------|
| Cash | 1,914,680 |
| Opening client balances | 1,409,249 |
| | <hr/> |
| | 3,323,929 |
| Estimated deferred consideration – see note 18 | |
| – due by Hillside (New Media) Limited | 1,500,000 |
| – due by bet365 International NV | 500,000 |
| | <hr/> |
| Total consideration | 5,323,929 |
| | <hr/> |

bet365 Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 25 March 2007

12 ACQUISITIONS (continued)

On 22 May 2006 the group acquired 100% of the called up share capital of Kidsgrove Road Limited. Kidsgrove Road Limited then acquired shares amounting to 60.34% of Stoke City Football Club Limited for consideration of £1,732,360. On 13 July 2006 Kidsgrove Road Limited converted its intercompany debt of £8,267,640 into ordinary £1 shares increasing its total shareholding in Stoke City Football Club Limited to 84.4%. The fair value of consideration paid will be finalised in the financial statements up to the 52 week period ended 29 March 2008.

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

Positive goodwill of £8,648,048, being the difference between the fair value of net assets acquired and consideration paid, arises from this transaction.

The consideration is analysed as follows

| | £ | £ |
|---------------------------------------|-----------|------------------|
| Share acquisition - cash | 1,732,360 | |
| Loan repaid to previous owners - cash | 3,267,640 | |
| Professional fees | 76,300 | |
| | | |
| Consideration paid to date | | 5,076,300 |
| Deferred consideration - see note 18 | | - |
| Total consideration | | 5,076,300 |

The total consideration paid of £5,076,300 to the previous owners, together with additional inter group financing of £5,000,000 equates to a total amount invested by the group in Stoke City Football Club Limited of £10,076,300.

bet365 Group Limited
NOTES TO THE FINANCIAL STATEMENTS
For the 52 week period ended 25 March 2007

13 DEFERRED TAXATION ASSET

| | Deferred taxation asset £ |
|-------------------------|------------------------------------|
| GROUP | |
| At beginning of period | 2,943,858 |
| Charge for the period | (2,298,555) |
| | <hr/> |
| At end of period | 645,303 |
| | <hr/> <hr/> |

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

| | 25 March 2007 £ | 26 March 2006 £ |
|--------------------------------|-----------------------|-----------------------|
| Accelerated capital allowances | 597,303 | 221,363 |
| Other timing differences | 48,000 | 38,560 |
| Tax losses | - | 2,683,935 |
| | <hr/> | <hr/> |
| | 645,303 | 2,943,858 |
| | <hr/> <hr/> | <hr/> <hr/> |

There is no unprovided deferred taxation

14 STOCKS

| | Group | | Company | |
|----------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 25 March 2007 £ | 26 March 2006 £ | 25 March 2007 £ | 26 March 2006 £ |
| Finished goods | 135,013 | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |

bet365 Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 25 March 2007

| 15 | DEBTORS | Group | | Company | |
|----|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | 25 March 2007 £ | 26 March 2006 £ | 25 March 2007 £ | 26 March 2006 £ |
| | <i>Due within one year</i> | | | | |
| | Trade debtors | 361,972 | - | - | - |
| | Amounts owed by group undertakings | - | - | 41,474,825 | 40,325,435 |
| | Other debtors | 951,614 | 666,579 | - | - |
| | Prepayments and accrued income | 2,811,884 | 1,169,150 | - | - |
| | | <u>4,125,470</u> | <u>1,835,729</u> | <u>41,474,825</u> | <u>40,325,435</u> |

| 16 | CREDITORS Amounts falling due within one year | Group | | Company | |
|----|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | | 25 March 2007 £ | 26 March 2006 £ | 25 March 2007 £ | 26 March 2006 £ |
| | Bank loans and overdrafts | 761,437 | - | - | - |
| | Trade creditors | 16,822,927 | 12,601,733 | - | - |
| | Corporation tax | 776,667 | 393,927 | 453,174 | 361,191 |
| | Other taxation and social security costs | 605,962 | 309,606 | - | - |
| | Other creditors | 2,289,818 | 1,471,440 | 11,001 | 11,000 |
| | Accruals and deferred income | 6,656,297 | 3,088,092 | - | - |
| | | <u>27,913,108</u> | <u>17,864,798</u> | <u>464,175</u> | <u>372,191</u> |

| 17 | CREDITORS Amounts falling due in more than one year | Group | | Company | |
|----|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | | 25 March 2007 £ | 26 March 2006 £ | 25 March 2007 £ | 26 March 2006 £ |
| | Bank loans and overdrafts | 133,000 | - | - | - |
| | Other creditors | 2,263,428 | - | - | - |
| | Accruals and deferred income | 3,351,665 | - | - | - |
| | | <u>5,748,093</u> | <u>-</u> | <u>-</u> | <u>-</u> |

bet365 Group Limited
NOTES TO THE FINANCIAL STATEMENTS
For the 52 week period ended 25 March 2007

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

ANALYSIS OF DEBT MATURITY

| | Group | | Company | |
|---|------------------|----------|----------|----------|
| | 25 March | 26 March | 25 March | 26 March |
| | 2007 | 2006 | 2007 | 2006 |
| | £ | £ | £ | £ |
| Amounts payable | | | | |
| In one year or less or on demand | 761,437 | - | - | - |
| In more than one year but not more than two years | 133,000 | - | - | - |
| In more than two years but not more than five years | - | - | - | - |
| In five years or more | 2,263,428 | - | - | - |
| | <u>3,157,865</u> | <u>-</u> | <u>-</u> | <u>-</u> |

Bank loans and overdrafts

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

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

Unsecured loan stock

Included within other creditors are unsecured loan stocks of £2,263,428 (2006: £nil). These are repayable only on the occurrence of certain events including the promotion of Stoke City Football Club Limited into the top division of English football and the transfer of certain players, all of which must occur prior to 1 September 2012. At this date the stockholders fully and irrevocably release and discharge the group from any and all claims or demands they may have against the group on any remaining balance due.

bet365 Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 25 March 2007

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

DEFERRED GRANTS

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

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 25 March 2007 | 26 March 2006 | 25 March 2007 | 26 March 2006 |
| | £ | £ | £ | £ |
| Acquired in the period | 2,329,000 | - | - | - |
| Grants released to the profit and loss account | (47,000) | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At end of period | 2,282,000 | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 25 March 2007 | 26 March 2006 | 25 March 2007 | 26 March 2006 |
| | £ | £ | £ | £ |
| Amounts to be released relating to periods ending | | | | |
| In one year or less or on demand | 55,370 | - | - | - |
| In more than one year but not more than two years | 55,370 | - | - | - |
| In more than two years but not more than five years | 166,110 | - | - | - |
| In five years or more | 2,005,150 | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 2,282,000 | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |

bet365 Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 25 March 2007

18 PROVISIONS FOR LIABILITIES AND CHARGES

| | Deferred consideration £ | Pension obligations £ | Total £ |
|----------------------------|--------------------------------|-----------------------------|--------------------------------|
| GROUP | | | |
| Acquired in the period | 2,000,000 | 131,000 | 2,131,000 |
| Decrease in provision | - | (10,580) | (10,580) |
| | <u>2,000,000</u> | <u>120,420</u> | <u>2,120,420</u> |
| At end of period | | | |
| | | | Deferred consideration £ |
| Within one year | | | 55,000 |
| Between two and five years | | | 1,945,000 |
| | | | <u>2,000,000</u> |

Deferred consideration

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

Under the terms of the Kidsgrove Road Limited and Stoke City Football Club Limited sale and purchase agreement, additional payments may need to be made contingent on the outcome of future events. The directors have not made any provision for these payments as the outcome of the future events is currently uncertain.

Pension obligations

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

bet365 Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 25 March 2007

| 19 | SHARE CAPITAL | 25 March 2007 £ | 26 March 2006 £ |
|----|--|-----------------------|-----------------------|
| | Authorised | | |
| | Equity 980,000 Ordinary shares of 1 pence each | 9,800 | 9,800 |
| | 17,000 "A" ordinary shares of 1 pence each | 170 | 170 |
| | 3,000 "C" ordinary shares of 1 pence each | 30 | 30 |
| | | <u>10,000</u> | <u>10,000</u> |
| | Allotted, called up and fully paid | | |
| | Equity 304,400 Ordinary shares of 1 pence each | 3,044 | 3,044 |
| | 17,000 "A" ordinary shares of 1 pence each | 170 | 170 |
| | | <u>3,214</u> | <u>3,214</u> |

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

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 25 March 2007 were as follows

| Options at 26 March 2006 | Options granted in year | Options lapsed in year | Options exercised in year | Options at 25 March 2007 | Exercise price £ | Market price at date of exercise £ |
|-----------------------------|-------------------------------|------------------------------|---------------------------------|-----------------------------|------------------------|--|
| 2,430 | - | (162) | - | 2,268 | 7.88 | N/A |

The options outstanding at 25 March 2007 had a remaining weighted average contractual life of 9 years (2006 10 years)

| 20 | RESERVES | Share premium account £ |
|----|--------------------------------|-------------------------------|
| | GROUP | |
| | At beginning and end of period | 18,997,394 |
| | COMPANY | |
| | At beginning and end of period | 18,997,394 |

bet365 Group Limited
NOTES TO THE FINANCIAL STATEMENTS
For the 52 week period ended 25 March 2007

| 21 | PROFIT AND LOSS RESERVE | Group £ | Company £ |
|----|-------------------------|-------------------|-------------------|
| | At beginning of period | 19,308,220 | 20,952,637 |
| | Profit for the period | 9,564,922 | 1,057,407 |
| | At end of period | 28,873,142 | 22,010,044 |

| 22 | MINORITY INTEREST | 25 March 2007 £ | 26 March 2006 £ |
|----|---|-----------------------|-----------------------|
| | Minority interest acquired with the acquisition of Stoke City Football Club Limited | 1,213,545 | - |
| | Fair value provision for minority interest in net liabilities | (1,213,545) | - |
| | Minority share of losses for the year | 386,837 | - |
| | Provision against minority interest | (386,837) | - |
| | At end of period | - | - |

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

| 23 | RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES | 52 week period ended 25 March 2007 £ | 52 week period ended 26 March 2006 £ |
|----|---|---|---|
| | Operating profit | 9,948,775 | 4,345,801 |
| | Depreciation | 2,265,700 | 2,290,611 |
| | Amortisation of player registrations | 1,054,742 | - |
| | Amortisation of goodwill | 354,950 | - |
| | (Profit)/loss on sale of fixed assets | (2,937) | 481,620 |
| | Decrease in stock | 58,987 | 9,911 |
| | Increase in debtors | (1,466,741) | (640,730) |
| | Increase in creditors | 3,713,885 | 9,358,235 |
| | NET CASH FLOW FROM OPERATING ACTIVITIES | 15,927,631 | 15,845,448 |

bet365 Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 25 March 2007

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

| | |
|---|-------------|
| Increase in cash in the period | 5,733,621 |
| Cash inflow from increase in debt and lease financing | (2,868,776) |

| | |
|-------------------------------------|------------|
| MOVEMENT IN NET FUNDS IN THE PERIOD | 2,864,845 |
| NET FUNDS AT 26 MARCH 2006 | 40,743,775 |

| | |
|----------------------------|-------------------|
| NET FUNDS AT 25 MARCH 2007 | <u>43,608,620</u> |
|----------------------------|-------------------|

| 25 ANALYSIS OF NET FUNDS | At 26 March 2006 £ | Cash flow £ | At 25 March 2007 £ |
|--------------------------|--------------------------|------------------|--------------------------|
| Cash in hand and at bank | 40,743,775 | 6,022,710 | 46,766,485 |
| Bank overdraft | - | (289,089) | (289,089) |
| | <u>40,743,775</u> | <u>5,733,621</u> | <u>46,477,396</u> |
| Debt due within one year | - | (472,348) | (472,348) |
| Debt due after one year | - | (2,396,428) | (2,396,428) |
| | <u>40,743,775</u> | <u>2,864,845</u> | <u>43,608,620</u> |

26 CAPITAL COMMITMENTS

| | Group 25 March 2007 £ | 26 March 2006 £ | Company 25 March 2007 £ | 26 March 2006 £ |
|---|--------------------------------|-----------------------|----------------------------------|-----------------------|
| Capital expenditure contracted for but not provided in the financial statements | <u>110,915</u> | <u>341,910</u> | <u>-</u> | <u>-</u> |

bet365 Group Limited
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For the 52 week period ended 25 March 2007

27 COMMITMENTS UNDER OPERATING LEASES

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 25 March 2007 | 26 March 2006 | 25 March 2007 | 26 March 2006 |
| | £ | £ | £ | £ |
| At the period end the group was committed to making the following payments during the next year under non-cancellable operating leases as follows | | | | |
| Land and buildings | | | | |
| Expiring within one year | 14,260 | - | - | - |
| Expiring between two and five years | 149,733 | - | - | - |
| Expiring after five years | 679,519 | 374,766 | - | - |
| Other | | | | |
| Expiring within one year | 21,704 | - | - | - |
| Expiring between two and five years | - | 40,896 | - | - |
| Expiring after five years | 68,952 | - | - | - |
| | <u>934,168</u> | <u>415,662</u> | <u>-</u> | <u>-</u> |

Ground safety grants

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

Collateral security

The group has granted a legal charge over its interest in Britannia Stadium as collateral security for the borrowings of the associated company

28 PENSION COMMITMENTS

The group operates a number of defined contribution pension schemes whose assets are held separately from those of the group in independently administered funds. The pension cost charge represents contributions payable by the group to the funds and amounted to £789,412 (2006 £239,825). Contributions amounting to £28,131 (2006 £nil) were payable to the scheme at the period end and are included in creditors. A provision amounting to £120,420 (2006 £nil) is included in provisions (note 18).

bet365 Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 25 March 2007

29 RELATED PARTY TRANSACTIONS

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

| <i>Name of related party</i> | <i>Description of relationship</i> | <i>Description of transactions</i> | <i>25 March 2007</i> | |
|--|------------------------------------|------------------------------------|---|--|
| | | | <i>Aggregate value for financial period</i> | <i>Net amount owed to / (by) the group</i> |
| | | | £ | £ |
| Stoke-on-Trent Community Stadium Development Company Limited | Associated undertaking | Rent payable to associate | 246,118 | (55,370) |