

bet365 Group Limited

REPORT AND FINANCIAL STATEMENTS

26 March 2017



Company Registration No. 04241161

bet365 Group Limited

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bet365 Group Limited

COMPANY INFORMATION

DIRECTORS

D Coates CBE

JF Coates

P Coates

WW Roseff

SECRETARY

SJ Adlington

REGISTERED OFFICE

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Stoke-on-Trent

ST1 5SZ

AUDITOR

RSM UK Audit LLP

Chartered Accountants

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ST1 5BB

bet365 Group Limited

STRATEGIC REPORT

The directors have pleasure in submitting their Strategic Report for bet365 Group Limited for the period ended 26 March 2017.

DENISE COATES CBE (JOINT CHIEF EXECUTIVE) - REVIEW OF THE BUSINESS

On behalf of the board I am pleased to report that the Group continued to experience significant growth during the period, with overall revenues and operating profit increasing year-on-year by 38% to £2,278.2m (2016: £1,653.3m) and 10% to £503.9m (2016: £456.7m), respectively.

Sports and Gaming activities contributed significantly to the overall growth of the Group, with revenue and operating profit increasing year-on-year by 39%, to £2,153.6m (2016: £1,546.9m), and 15%, to £514.1m (2016: £448.3m), respectively. Financial performance in the year was augmented by what was, for the Group, a good 2016 Football European Championships. In addition, the fall in the value of sterling during the period also impacted favourably on the Group's results.

Trading under the bet365 brand, the Group's Sports offering continued to benefit from a number of product-enhancing developments and investment during the period. These included the launch of "Edit My Bet" and "Auto Cash Out".

Additions to "Live Streaming" content, including US Horseracing, saw the number of live sporting events streamed in the period extended to around 140,000. Marketing expenditure again increased, helping to maintain the 'bet365' brand's class-leading position, notably with bet365's sponsorship of Sky's Friday and Monday night English Premier League programmes.

Supported by the sports product enhancements and marketing investment detailed above, the amounts wagered on Sports increased by 27%, whilst the number of active customers rose by 35% and the Sports margin percentage experienced growth. In-Play again performed strongly, representing 72% of Sports revenue in the period. Mobile Sports product, built upon the strong performance seen in previous years, delivering revenue growth of 61%, consolidating its position as the most popular medium for Sports betting.

The Gaming product offer continued to grow, assisted by investment in the mobile channel which saw the launch of mobile Casino on the sports page and other significant product launches. The number of games available to customers again increased with 540 games being launched compared to 214 in the previous period. As a result the Group's Gaming operations experienced improved player retention and, ultimately, an increase in the number of active customers over the period.

During the year the Sports and Gaming operations increased revenue from regulated markets as they added to their portfolios of operator licences. Around the world the Sports and Gaming operations continue to adapt to the changing regulatory framework as jurisdictions revise their regulatory regimes. bet365 currently holds licences in various territories including Great Britain, Spain, Denmark, Italy, Gibraltar, Malta, Ireland, Australia, Bulgaria and most recently Cyprus, and will continue with its long standing policy of pursuing licences in regulated markets. Given the Group's experience in regulated markets, it believes it is well placed to benefit long-term in those countries where sensible regulation is adopted.

At the end of the financial year 3,712 (2016: 3,177) staff were employed within the Group's; Sports, Gaming and associated support operations representing a significant year-on-year increase. This, allied with increased remuneration for individuals that have been key to the development of the overarching corporate strategy that has successfully driven the Group forward, thus enabling it to consistently outperform its competitors, resulted in total staff costs for the Sports and Gaming segment of the Group rising to £585.1m in the year (2016: £315.8m).

bet365 Group Limited

STRATEGIC REPORT

With almost 30 million life time signups and its prominent position in the industry, the Group recognises its responsibility to minimise gambling-related harm and to keep crime out of gambling.

The Group is committed to developing an evidence-based approach to Responsible Gambling. To this end, the Group continues to work with research partners on a number of projects to improve its methods of identifying harmful play and deliver more effective harm minimisation interventions.

The Group has also invested in the development of its own predictive algorithms in order to improve the accuracy and reach of existing measures. The scope and reach of bet365's predictive system has been expanded with the addition of new markers of potential harm. In addition, a refined set of harm minimisation interventions has been developed.

Ongoing evaluation of these initiatives is crucial to their success, and the Group monitors their effectiveness to develop a better understanding of what works and what does not.

The Group recognises that the development of an effective Responsible Gambling policy is not a competitive exercise. The Group has continued to work with industry partners by sharing its experiences in order to ensure best industry practice. The Group has also continued its commitment to ensure that its regulators and other prominent stakeholders are informed on progress.

The Group continues to provide financial support and advice to its existing partners in the areas of research, education and treatment. The Group fully recognises its social responsibility to its customers and wider society, and is proud to be a longstanding supporter of these organisations.

The Group is assured that its efforts over the past year will continue to evolve over the coming months, and will make further progress in the prevention and minimisation of gambling-related harm.

With EU countries required to transpose the 4th Anti Money Laundering Directive (4AMLD) into national law by June 2017, the Group has conducted a thorough review of the legislative changes published by the Member States and of its own internal policies and procedures. Despite 4AMLD extending the scope of obliged entities from casino only providers to all gambling products, no significant changes have yet been required, given the Group already complies with relevant identification and verification practices and applies its AML procedures across all products.

Focus remains on the well-resourced ongoing evaluation of the adequacy and effectiveness of the Group's internal AML/Counter Terrorism Financing (CTF) controls to identify where content, controls and operations of the AML programme can be fine-tuned and to ensure that existing mitigation measures remain appropriate and effective.

The Group will continue to expand this type of internal evaluation in line with new and emerging risks in order to ensure ongoing, independent review of the effectiveness of internal processes and procedures, identifying opportunities for improvement and thereby generating important feedback in areas of AML/CTF compliance.

The Group is committed to providing resource to the ongoing technological development of AML/CTF controls to ensure it continues to proactively combat abuse of its services for the purpose of carrying out illicit activity. This type of development works enables the continuing improvement of internal systems and controls responsible for areas such as customer transactional monitoring and customer risk profiling.

Over recent years the Sports and Gaming segment of the Group has made substantial charitable donations. This continued in the period with a total of £50.0m being donated (2016: £20.0m) to the Denise Coates Foundation, a registered charity. The size of the donation, and therefore the difference the Foundation will be able to make to people's lives over the coming years, are of great importance to the Group.

bet365 Group Limited

STRATEGIC REPORT

Looking forward, the Sports, Gaming and associated support operations will continue to make sure that they are suitably resourced to; manage business growth, deliver innovative product development, provide a high quality customer experience, maintain robust processes that ensure compliance with the requirements of multiple regulatory frameworks and maintain their collective position at the forefront of the industry – a position recognised again in the year as ‘bet365’ attained top spot in eGaming Review’s Annual Power 50, winning the award for the seventh consecutive year.

Moving to Stoke City F.C. (the Club) and the property management and facilities element of the Group conducted through Stoke City Property Limited, in the period they contributed a combined loss of £10.2m compared to a profit in 2016 of £8.5m. The Club’s rise in wages to £94.2m (2016: £77.2m) matched the increase in its turnover to £124.2m (2016: £106.4m). Lower profits on the sale of fewer players of £3.1m (2016: £14.4m) plus an increased amortisation charge on player contracts of £22.1m (2016: £17.0m) reflects the further significant investment made in the playing squad. A more detailed overview of activities will be presented within the Report and Accounts relating to these companies which will cover the financial year to 31 May 2017.

Overall, the directors of the Group are pleased with the strength of the financial position reported in the balance sheet at the period end, with cash at bank and in hand increasing in the period to £1,425.8m (2016: £1,099.1m). It is worth noting that, during the period, the Group’s Creditors (Amounts falling due within one year) increased by c.£54m, primarily reflecting the increased player balances and higher duty liabilities. The directors are confident that the balance sheet will continue to grow, due to the cash generative nature of the Group, with such funds being held for future trading purposes. Consequently, in March 2016 the Group transferred £125.0m to a leading global investment banking, securities and management firm, held as cash at the prior period end. During the period, at the Group’s instruction, this cash was invested with the funds being easily accessible to meet future trading purposes. Post period end the Group has similarly also invested a further £370.0m to meet future trading purposes with such monies again being easily accessible. These funds mean that the Group is well placed, in a highly competitive and uncertain environment, to react quickly to the need for substantial investment in the further development of the Group’s structure, brand, product, IT infrastructure and/or technology platform

bet365 Group Limited

STRATEGIC REPORT

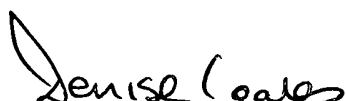
PRINCIPAL RISKS AND UNCERTAINTIES

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 risk – Competitors could entice bet365's customers and/or bet365's marketing strategy may not be effective at attracting new and/or retaining existing customers.
2. Margin risk – Although the Group's trading teams are experienced in managing risk, there is always a range of profit/loss for different outcomes for 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 the Group's key markets can change, sometimes at short notice. Such changes could have an impact upon the results of the Group. Furthermore, additional costs might be incurred in order to comply with new laws and/or regulations. The Group's key markets are monitored for legislative and regulatory developments which enables swift assessment and, when and where necessary, adaptation to changes in the market's legal and regulatory environment.
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.

The Football Club's main risks and uncertainties centre around the ability to train, acquire and develop players to a sufficient standard to retain and improve its position in the Premier League.

By order of the board



Denise Coates CBE
Director

12th October 2017

bet365 Group Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of bet365 Group Limited for the 52 week period ended 26 March 2017.

PRINCIPAL ACTIVITIES

The principal activities of the Group are; in-house software development, the provision of internet, mobile and telephone sports betting along with Online Casino, Games, Bingo and Poker. The Group is the majority shareholder of Stoke City Football Club Limited and owns Stoke City (Property) Limited, in turn owning the stadium and training ground used by the Club. bet365 Group Limited is the holding Company of the Group and owns certain office buildings used by the Group.

RESULTS AND DIVIDENDS

The Group's profit was £525.0m (2016: £451.1m) from its gambling operations and a loss of £10.2m (2016: profit of £8.5m) on the Football Club and Stoke City (Property) Limited, resulting in a combined Group profit before taxation for the period of £514.8m (2016: £459.6m).

The directors paid a total dividend of £36.5m during the period (2016: £127.5m). The directors do not recommend the payment of a final dividend for the period.

FUTURE DEVELOPMENTS

The Group will continue to invest in IT infrastructure and technology around the world to ensure it has both the flexibility and scalability to evolve with internal and external developments.

The changing worldwide gambling and leisure industries may or may not provide opportunities for enhancing the Group's presence worldwide.

The Group encourages innovation in its product offerings, both by improving existing products and introducing new opportunities. Successful innovation attracts new customers and supports customer retention.

During the period, on 23 June 2016, the United Kingdom, via referendum, voted to leave the European Union. Subsequently on 29 March 2017 the United Kingdom officially activated Article 50, the official trigger for its withdrawal from the European Union.

Following activation of Article 50, the United Kingdom will remain a member of the European Union for two years from 29 March 2017, whilst negotiations on the terms of separation take place. Although the result of these negotiations may have a long-term impact upon the Group's structure, it is still too early to tell, at this stage, what the implications will be. As such the Group will have time to adapt as appropriate. In the meantime, it remains business as usual.

BRANCHES

The Group has unincorporated branches in Gibraltar.

FINANCIAL INSTRUMENTS

The Group's cash flow fluctuates according to the timing of payments and receipts and the Group's overall profitability. The directors manage deposits to gain favourable 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. The Group's policy is to hedge this risk where significant. At the period end no derivative contracts were outstanding.

bet365 Group Limited

DIRECTORS' REPORT

DIRECTORS

The following directors have held office since 28 March 2016, unless otherwise noted:

D Coates CBE

JF Coates

P Coates

WW Roseff

G Rotem (resigned on 23 June 2017)

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.

CHARITABLE CONTRIBUTIONS

The Group made charitable contributions during the period of £50.7m (2016: £20.6m), donating £50.0m (2016: £20.0m) to the Denise Coates Foundation. The Denise Coates Foundation is a registered charity created for the purposes of charitable giving.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is 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.

AUDITOR

RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

By order of the board



Denise Coates CBE
Director

12th October 2017

bet365 Group Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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

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

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company 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 accounting estimates that are reasonable and prudent;
- c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF bet365 GROUP LIMITED

Opinion on financial statements

We have audited the group and parent company financial statements (the "financial statements") on pages 10 to 44. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 26 March 2017 and of the group's profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements and, based on the work undertaken in the course of our audit, the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

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

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

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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



ANNE LAKIN (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
Festival Way
Stoke-on-Trent
Staffordshire
ST1 5BB

13 October 2017

bet365 Group Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 52 week period ended 26 March 2017

| | Note | 52 week period ended 26 March 2017 | | | 52 week period ended 27 March 2016 |
|---|------|------------------------------------|--------------------------------------|---------------|------------------------------------|
| | | Sports and gaming £000 | Football Club and facilities £000 | Total £000 | £000 |
| AMOUNTS WAGERED | | 46,946,587 | - | 46,946,587 | 36,999,375 |
| TURNOVER | 2 | 2,153,635 | 124,247 | 2,277,882 | 1,653,287 |
| Direct costs | | (289,936) | - | (289,936) | (222,370) |
| GROSS PROFIT | | 1,863,699 | 124,247 | 1,987,946 | 1,430,917 |
| Administrative expenses | | (1,349,627) | (134,457) | (1,484,084) | (974,201) |
| OPERATING PROFIT/(LOSS) | | 514,072 | (10,210) | 503,862 | 456,716 |
| Fair value gains on investments | | 5,613 | - | 5,613 | - |
| Interest receivable and similar income | 6 | 5,266 | 41 | 5,307 | 2,918 |
| Interest payable and similar expenses | 7 | - | - | - | (1) |
| PROFIT/(LOSS) BEFORE TAXATION | 2-8 | 524,951 | (10,169) | 514,782 | 459,633 |
| Taxation | 9 | | | (43,792) | (58,908) |
| PROFIT FOR THE FINANCIAL PERIOD | | | | 470,990 | 400,725 |
| OTHER COMPREHENSIVE INCOME | | | | | |
| Currency translation differences arising on consolidation | | | | (11,238) | (2,096) |
| Deferred tax on revalued assets | | | | 137 | 275 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | | | 459,889 | 398,904 |

Turnover and operating profit are derived from the Group's continuing operations.

Profit for the period and total comprehensive income is all attributable to the owners of the parent in 2017 and 2016.

bet365 Group Limited
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 26 March 2017

| | Note | 26 March 2017 | | 27 March 2016 | |
|--|------|------------------|------------------|------------------|----------------|
| | | £000 | £000 | £000 | £000 |
| FIXED ASSETS | | | | | |
| Intangible assets | 11 | | 72,701 | | 56,982 |
| Tangible assets | 12 | | 127,477 | | 129,598 |
| | | | <u>200,178</u> | | <u>186,580</u> |
| CURRENT ASSETS | | | | | |
| Stock | 15 | 605 | | 166 | |
| Debtors | 16 | 202,327 | | 193,526 | |
| Investments | 17 | 131,899 | | - | |
| Cash at bank and in hand | | 1,425,811 | | 1,099,051 | |
| | | <u>1,760,642</u> | | <u>1,292,743</u> | |
| CREDITORS: Amounts falling due within one year | 18 | (567,532) | | (513,487) | |
| NET CURRENT ASSETS | | | <u>1,193,110</u> | | <u>779,256</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>1,393,288</u> | | <u>965,836</u> |
| CREDITORS: Amounts falling due after more than one year | 19 | | (9,637) | | (5,573) |
| PROVISION FOR LIABILITIES | 21 | | (128) | | (155) |
| NET ASSETS | | | <u>1,383,523</u> | | <u>960,108</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 22 | | 3 | | 3 |
| Share premium account | | | 18,998 | | 18,998 |
| Revaluation reserve | | | 11,414 | | 11,277 |
| Profit and loss account | | | 1,353,108 | | 929,830 |
| | | | <u>1,383,523</u> | | <u>960,108</u> |
| CAPITAL AND RESERVES | | | | | |
| Attributable to owners of the parent | | | 1,383,523 | | 960,108 |
| Attributable to non-controlling interests | 23 | | - | | - |
| TOTAL EQUITY | | | <u>1,383,523</u> | | <u>960,108</u> |

The financial statements on pages 10 to 44 were approved by the board of directors and authorised for issue on 12th October 2017 and are signed on its behalf by:



Denise Coates CBE
 Director

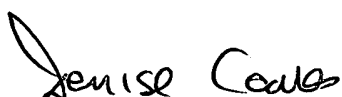
Company Registration No. 04241161

bet365 Group Limited
COMPANY STATEMENT OF FINANCIAL POSITION
At 26 March 2017

| | Note | 26 March 2017 | | 27 March 2016 | |
|--|------|------------------|-------------------------|-----------------|-----------------------|
| | | £000 | £000 | £000 | £000 |
| FIXED ASSETS | | | | | |
| Tangible assets | 12 | | - | | 33,094 |
| Investment properties | 13 | | 38,566 | | 5,696 |
| Investments | 14 | | 10,000 | | 10,000 |
| | | | <u>48,566</u> | | <u>48,790</u> |
| CURRENT ASSETS | | | | | |
| Debtors | 16 | 493,537 | | 330,638 | |
| Investments | 17 | 131,899 | | - | |
| Cash at bank and in hand | | 706,496 | | 327,421 | |
| | | <u>1,331,932</u> | | <u>658,059</u> | |
| CREDITORS: Amounts falling due within one year | 18 | <u>(74,808)</u> | | <u>(83,908)</u> | |
| NET CURRENT ASSETS | | | <u>1,257,124</u> | | <u>574,151</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>1,305,690</u> | | <u>622,941</u> |
| CREDITORS: Amounts falling due after more than one year | 19 | | <u>(9,637)</u> | | <u>(5,573)</u> |
| NET ASSETS | | | <u><u>1,296,053</u></u> | | <u><u>617,368</u></u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 22 | | 3 | | 3 |
| Share premium account | | | 18,998 | | 18,998 |
| Profit and loss account | | | 1,277,052 | | 598,367 |
| TOTAL EQUITY | | | <u><u>1,296,053</u></u> | | <u><u>617,368</u></u> |

The Company's profit for the year and total comprehensive income for the year is £715,159,000 (2016: £263,777,000).

The financial statements on pages 10 to 44 were approved by the board of directors and authorised for issue on 12th October 2017 and are signed on its behalf by:



Denise Coates CBE
Director

Company Registration No. 04241161

bet365 Group Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

At 26 March 2017

| | Note | Share capital £000 | Share premium account £000 | Revaluation reserve £000 | Profit and loss account £000 | Total £000 | Controlling interests £000 | Non- controlling interests £000 (see note 23) | Total £000 |
|---|------|-----------------------|----------------------------------|--------------------------------|------------------------------------|------------------|----------------------------------|--|------------------|
| BALANCE AT 29 MARCH 2015 | | 3 | 18,998 | 11,002 | 658,727 | 688,730 | 688,730 | - | 688,730 |
| Profit for the period | | - | - | - | 400,725 | 400,725 | 400,725 | - | 400,725 |
| Other comprehensive income, net of tax: | | | | | | | | | |
| Currency translation differences on overseas subsidiaries | | - | - | - | (2,096) | (2,096) | (2,096) | - | (2,096) |
| Deferred tax on revalued assets | | - | - | 275 | - | 275 | 275 | - | 275 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | - | - | 275 | 398,629 | 398,904 | 398,904 | - | 398,904 |
| Transactions with owners in their capacity as owners: | | | | | | | | | |
| Dividends | 10 | - | - | - | (127,526) | (127,526) | (127,526) | - | (127,526) |
| TOTAL TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS | | - | - | - | (127,526) | (127,526) | (127,526) | - | (127,526) |
| BALANCE AT 27 MARCH 2016 | | 3 | 18,998 | 11,277 | 929,830 | 960,108 | 960,108 | - | 960,108 |
| Profit for the period | | - | - | - | 470,990 | 470,990 | 470,990 | - | 470,990 |
| Other comprehensive income, net of tax: | | | | | | | | | |
| Currency translation differences on overseas subsidiaries | | - | - | - | (11,238) | (11,238) | (11,238) | - | (11,238) |
| Deferred tax on revalued assets | | - | - | 137 | - | 137 | 137 | - | 137 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | - | - | 137 | 459,752 | 459,889 | 459,889 | - | 459,889 |
| Transactions with owners in their capacity as owners: | | | | | | | | | |
| Dividends | 10 | - | - | - | (36,474) | (36,474) | (36,474) | - | (36,474) |
| TOTAL TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS | | - | - | - | (36,474) | (36,474) | (36,474) | - | (36,474) |
| BALANCE AT 26 MARCH 2017 | | 3 | 18,998 | 11,414 | 1,353,108 | 1,383,523 | 1,383,523 | - | 1,383,523 |

bet365 Group Limited
COMPANY STATEMENT OF CHANGES IN EQUITY
At 26 March 2017

| | Note | Share capital £000 | Share premium account £000 | Profit and loss account £000 | Total £000 |
|--|------|--------------------------|-------------------------------------|---------------------------------------|------------------|
| BALANCE AT 29 MARCH 2015 | | 3 | 18,998 | 462,116 | 481,117 |
| Profit for the period | | - | - | 263,777 | 263,777 |
| | | | | | |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | - | - | 263,777 | 263,777 |
| | | | | | |
| Transactions with owners in their capacity as owners: | | | | | |
| Dividends | 10 | - | - | (127,526) | (127,526) |
| | | | | | |
| TOTAL TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS | | - | - | (127,526) | (127,526) |
| | | | | | |
| BALANCE AT 27 MARCH 2016 | | 3 | 18,998 | 598,367 | 617,368 |
| | | | | | |
| Profit for the period | | - | - | 715,159 | 715,159 |
| | | | | | |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | - | - | 715,159 | 715,159 |
| | | | | | |
| Transactions with owners in their capacity as owners: | | | | | |
| Dividends | 10 | - | - | (36,474) | (36,474) |
| | | | | | |
| TOTAL TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS | | - | - | (36,474) | (36,474) |
| | | | | | |
| BALANCE AT 26 MARCH 2017 | | 3 | 18,998 | 1,277,052 | 1,296,053 |

bet365 Group Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 52 week period ended 26 March 2017

| | Note | 52 week period ended 26 March 2017 | | 52 week period ended 27 March 2016 | |
|---|------|--|------------------|--|------------------|
| | | £000 | £000 | £000 | £000 |
| OPERATING ACTIVITIES | | | | | |
| Cash generated from operations | 24 | | 600,364 | | 545,599 |
| Interest received | | 3,560 | | 2,433 | |
| Interest paid | | - | | (1) | |
| Income taxes paid | | (84,007) | | (83,832) | |
| | | | | | |
| NET CASH USED IN OPERATING ACTIVITIES | | | (80,447) | | (81,400) |
| INVESTING ACTIVITIES | | | | | |
| Purchase of intangible assets | | (41,002) | | (57,241) | |
| Proceeds on disposal of intangible assets | | 3,322 | | 15,940 | |
| Purchase of tangible fixed assets | | (27,401) | | (37,693) | |
| Proceeds on disposal of tangible fixed assets | | 3,321 | | 1,395 | |
| Purchase of current asset investments | | (125,115) | | - | |
| | | | | | |
| NET CASH USED IN INVESTING ACTIVITIES | | | (186,875) | | (77,599) |
| FINANCING ACTIVITIES | | | | | |
| Dividends paid | 10 | (36,474) | | (127,526) | |
| | | | | | |
| NET CASH USED IN FINANCING ACTIVITIES | | | (36,474) | | (127,526) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | | 296,568 | | 259,074 |
| CASH AND CASH EQUIVALENTS AT START OF PERIOD | | | 1,239,758 | | 978,781 |
| Effect of foreign exchange rate changes | | | 3,980 | | 1,903 |
| | | | | | |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | | | 1,540,306 | | 1,239,758 |
| Relating to | | | | | |
| Bank balances and short term deposits included in cash at bank and in hand | | | 1,425,811 | | 1,099,051 |
| Short-term deposits included in 'debtors amounts falling due within one year' | | | 114,495 | | 140,707 |
| | | | | | |
| | | | 1,540,306 | | 1,239,758 |

bet365 Group Limited

ACCOUNTING POLICIES

GENERAL INFORMATION

bet365 Group Limited ("the Company") is a private company limited by shares and is registered, domiciled and incorporated in England.

The address of the Company's registered office and principal place of business is bet365 House, Media Way, Stoke-on-Trent, Staffordshire, ST1 5SZ.

The Group consists of bet365 Group Limited and all of its subsidiaries.

The Company's and the Group's principal activities and nature of its operations are included in the Directors' Report.

BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the requirements of the Companies Act 2006 including the provisions of the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008 and under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

GOING CONCERN

The financial statements have been prepared on a going concern basis, which assumes that the Group will be able to continue to trade for the foreseeable future.

The validity of the going concern basis is dependent upon the Group managing the risks of the business as identified in the Directors' Report and Strategic Report and its financial arrangements. The directors consider that they have sufficient controls in place to manage the risks of the Group and that the Group has and will continue to generate sufficient cash flows to meet the Group's working capital requirement without the need for any external finance.

On this basis the directors consider it appropriate to prepare financial statements on a going concern basis.

REDUCED DISCLOSURES

In accordance with FRS 102, the Company has taken advantage of the exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures.
- Section 11 'Basic Financial Instruments' - Carrying amounts of financial instruments held at amortised cost or cost.
- Section 33 'Related Party Disclosures – Compensation for key management personnel.

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 purchase method. Their results are incorporated from the date that control passes. All financial statements are made up to 26 March 2017 except for Stoke City Holdings Limited and Stoke City Football Club Limited which have a 31 May 2017 year end to align the financial year end with the commercial considerations of the individual entities. Detailed management accounts at 31 March 2017 have been used as a basis for the consolidation of these subsidiaries. Stoke City (Property) Limited's year end is 31 March 2017.

bet365 Group Limited

ACCOUNTING POLICIES

BASIS OF CONSOLIDATION (continued)

All intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

The cost of a business combination is the fair value at the acquisition date, of the assets given, equity instruments issued and liabilities incurred or assumed, plus directly attributable costs.

The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

As permitted by s408 Companies Act 2006, the Company has not presented its own statement of comprehensive income. The Company's profit for the period and total comprehensive income for the period is £715.2m (2016: £263.8m) and has been shown on the face of the statement of financial position.

FUNCTIONAL AND PRESENTATIONAL CURRENCIES

The consolidated financial statements are presented in sterling which is also the functional currency of the Group and Company.

INTANGIBLE FIXED ASSETS

Goodwill

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:

- Goodwill is being amortised over 10 years as no reliable estimate can be made of its useful economic life. The directors consider the useful economic life to significantly exceed 10 years due to the strength of the bet365 brand and Stoke City Football Club.
- 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 the carrying amount exceeds the recoverable amount. Prior year impairments are reviewed and assessed by management and where the recoverable amount has increased above the carrying amount, the impairments are reversed. No amounts are included for players developed within the Club.

Other intangible assets

Intangible assets purchased other than in a business combination are recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably.

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to profit or loss on a straight-line basis over their useful lives, as follows:-

| | | |
|-----------------------------|---|-------------------------------|
| Purchased computer software | - | 33.3% per annum straight line |
|-----------------------------|---|-------------------------------|

bet365 Group Limited

ACCOUNTING POLICIES

INTANGIBLE FIXED ASSETS (continued)

Amortisation is revised prospectively for any significant change in useful life or residual value.

On disposal, the difference between the net disposal proceeds and the carrying amount of the intangible asset is recognised in profit or loss.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

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 and leasehold land | - | No depreciation charged |
| Freehold buildings | - | 2% per annum straight line |
| Leasehold buildings | - | 1 - 20% per annum straight line |
| Football stadium | - | 2% per annum straight line |
| Fixtures and fittings | - | 4% - 33% per annum straight line |
| Computer equipment | - | 33.3% per annum straight line |
| Plant and motor vehicles | - | 2% - 33% per annum straight line |

Residual values are calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Land and buildings are accounted for separately even when acquired together.

ASSETS UNDER CONSTRUCTION

Properties in the course of construction were carried at cost, less any identified impairment loss. Cost includes professional fees and other directly attributable costs that are necessary to bring the property to its operating condition. Depreciation commences when the properties are ready for their intended use.

IMPAIRMENTS OF FIXED ASSETS

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Group and Company estimates the recoverable amount of the asset or, for goodwill, the recoverable amount of the cash-generating unit to which the goodwill belongs.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairments of revalued assets, are treated as a revaluation loss. All other impairment losses are recognised in profit or loss.

Any impairment loss recognised for goodwill is not reversed for fixed assets other than goodwill, recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in profit or loss or, for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

REVALUATION OF FOOTBALL STADIUM

The football stadium is revalued in accordance with FRS 102 Section 17 with a full valuation carried out by professionally qualified chartered surveyors on a depreciated replacement cost basis, in accordance with the Statement of Assets Valuation Practice No. 4.

This calculation allows for the obsolescence of the Stadium, excluding the land element, of 50 years.

bet365 Group Limited

ACCOUNTING POLICIES

REVALUATION OF FOOTBALL STADIUM (continued)

Revaluation gains and losses are recognised in other comprehensive income and accumulated in equity, except to the extent that a revaluation gain reverses a revaluation loss previously recognised in profit or loss or a revaluation loss exceeds the accumulated revaluation gains recognised in equity, such gains and losses are recognised in profit or loss.

INVESTMENT PROPERTIES

Investment properties are initially measured at cost and subsequently measured at fair value whilst a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in profit or loss.

CURRENT ASSET INVESTMENTS

Group and Company trade investments are classified as financial instruments and accounted for in accordance with the accounting policy at fair value through profit or loss.

FIXED ASSET INVESTMENTS

In the separate accounts of the Company interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

Interests in subsidiaries are assessed for impairment at each reporting date. Any impairments losses or reversals of impairment losses are recognised immediately in profit or loss.

SIGNING ON FEES AND LOYALTY BONUSES

The directors consider that signing on fees represent a normal part of the employment cost of the player and as such should be charged to profit or loss over the period of the player's contract as the instalment payments are made, except in the circumstances of a player disposal. In that case any remaining signing on fees due are allocated in full against profit on disposal of players' registrations in the year in which the player disposal is made.

SOFTWARE DEVELOPMENT

Expenditure on software development is written off to profit or loss in the period in which it is incurred as it is considered by the directors to be revenue in nature.

STOCK

Stock is valued at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first in, first out cost basis.

At each reporting date, the Group assesses whether stock is impaired or if an impairment loss recognised in prior periods has reversed. Any excess of the carrying amount of stock over its estimated selling price less costs to complete and sell, is recognised as an impairment loss in profit or loss.

Reversals of impairment losses are also recognised in profit or loss.

FOREIGN CURRENCIES

Transactions in currencies other than the functional currency (foreign currencies) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

bet365 Group Limited

ACCOUNTING POLICIES

FOREIGN CURRENCIES (continued)

Assets and liabilities of overseas subsidiaries (including goodwill and fair value adjustments in relation to overseas subsidiaries) are translated into the Group's presentation currency at the rate ruling at the reporting date. Income and expenses of overseas subsidiaries are translated at the average rate for the year as the directors consider this to be a reasonable approximation to the rate at the date of the transaction. Translation differences are recognised in other comprehensive income and accumulated in equity.

TAXATION

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the period. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income or expenses from subsidiaries and branches that will be assessed to or allow for tax in a future period except where the Group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

For non-depreciable assets measured using the revaluation model and investment properties measured at fair value (except investment property with a limited useful life held by the Group to consume substantially all of its economic benefits), deferred tax is measured using the tax rates and allowances that apply to the sale of the asset or property.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

DEFERRED INCOME

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

LEASED ASSETS AND OBLIGATIONS

Group and Company leases that do not give rights approximating to ownership are "operating leases" and the annual rentals are charged to profit or loss on a straight line basis over the lease term.

Rental income from assets leased under operating leases is recognised on a straight-line basis over the term of the lease. Rent free periods or other incentives given to the lessee are accounted for as a reduction to the rental income and recognised on a straight-line basis over the lease term.

bet365 Group Limited

ACCOUNTING POLICIES

EMPLOYEE BENEFITS

The entitlement to compensated absences for Stoke City Football Club Limited ends at 30 June. The cost of any unused entitlement is recognised in the period in which the employee's services are received. All other group entities have a compensated absence period in line with the accounting period.

RETIREMENT BENEFITS

The Group contributes to a number of schemes.

There are two defined contribution (money purchase) pension schemes whose assets are held separately from those of the Group in an independently administered fund. The amount charged to profit or loss 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.

Certain 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 surplus or deficit owing to the club's employees.

Consequently, contributions are charged to profit or loss 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 or loss in the period 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 staked by customers in respect of individual bets placed in the period on the internet, mobile and telephone sports betting operations, net winnings on gaming activity for Online Casino, operations (including Games and Bingo) and net fees and rakes earned from poker.

This is a memorandum item only and is presented in line with industry best practice.

DUTY COSTS

Duty is charged in the financial statements of the Group based on the prevailing duty rates applicable to local legislative requirements of the country where bets are placed.

TURNOVER

Revenue is recognised under an exchange transaction with a customer when and to the extent that the Group obtains the rights to consideration in exchange for its performance.

Turnover is recognised at the fair value of the consideration received.

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 net of discounts, marketing inducements, VAT and other sales related taxes and is recognised as set out below:

In the case of internet, mobile and telephone sports betting and Online Casino operations (including Games and Bingo), turnover represents gains and losses from betting activity in the period and is stated on a gross win basis in line with industry best practice.

bet365 Group Limited

ACCOUNTING POLICIES

TURNOVER (continued)

In the case of Online Poker, turnover represents the net income from fees and rakes earned from poker in the period.

In respect of Stoke City Football Club Limited, turnover represents match receipts, FA Premier League receipts and other income arising from the Club's activities. Revenue is recognised when substantially all of the obligations under a sales contract have been fulfilled. Revenue received from the FA Premier League is recognised in the financial statements on the basis of the number of matches played up to the period end. This is in accordance with the FA Premier League guidelines on income recognition. Performance related awards have not been recognised until achieved by the Club, as the income cannot be assessed with certainty.

OTHER INCOME

Interest income

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding at the effective interest rate.

CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement cash and cash equivalents at the end of the period relate to bank balances and short term deposits included in cash at bank and in hand, and short term deposits included in debtors falling due within one year.

FINANCIAL INSTRUMENTS

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument, and are offset only when the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Trade, group and other debtors

Trade, group and other debtors (including accrued income) which are receivable within one year are initially measured at the transaction price. Trade, group and other debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

Total debtors are stated net of a provision of £1.6m (2016: £10.1m).

Trade investments

Trade investments are equity investments over which the Group has no significant influence, joint control or control and are initially measured at transaction price. Transaction price includes transaction costs, except where trade investments are measured at fair value through profit or loss when transaction costs are expensed to profit or loss as incurred.

Trade investments in non-convertible and non-puttable preference shares or non-puttable ordinary shares are measured at fair value through profit or loss.

bet365 Group Limited

ACCOUNTING POLICIES

FINANCIAL INSTRUMENTS (continued)

Trade investments (continued)

The fair value of trade investments quoted on a recognised stock exchange is the quoted bid price. The fair value of unlisted trade investments are valued at the single market price as advised by the investment manager.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

Trade, group and other creditors

Trade, group and other creditors (including accruals) payable within one year are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

DIVIDENDS

Dividends are recognised as liabilities once they are no longer at the discretion of the Company.

RESERVES

Reserves for the Group and Company represent the following:

Share premium account

Consideration received for shares issued above their nominal value net of transaction costs.

Revaluation reserve for Investment Property/Football Stadium

The cumulative revaluation gains and losses on investment properties/Football Stadium and associated deferred tax that have been recognised in profit or loss have been subsequently transferred to this reserve as permitted by FRS 102 paragraph A4.28.

Profit and loss account

Cumulative profit and loss net of distributions to owners and amounts transferred to the revaluation reserve for investment property.

bet365 Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 March 2017

1 CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Critical areas of judgement

The Group values its Stadium on a depreciated replacement cost basis. This takes into account the split of the land value and buildings. It estimates the cost of rebuilding the Stadium at a set rate per capacity and the cost of buying the land at the valuation date.

The Company has assessed the carrying value of its recently constructed new Head Office and, given the property is less than 18 months old, has concluded that there is nothing to indicate a material change in the fair value of the investment property reported on the Company Statement of Financial Position. Should the Company become aware of any events or circumstances indicating that the carrying amount of the Head Office may not be recoverable, it would recognise any such changes in the financial statements as necessary.

The Group regularly reviews and assesses the carrying value of its investments and debtors by monitoring profitability, cash flows and transactional activities in the relevant sectors, if there were any indication that the recoverability of such items had been materially impacted the Group would recognise any such changes in the financial statements as necessary.

Duty accruals are calculated and recorded in the financial statements of the Group, based on the prevailing or prospective rate relevant to the jurisdictional requirements of the country under which the bets were placed. The directors are continually monitoring and appraising events in all countries in which the Group operates.

bet365 Group Limited
NOTES TO THE FINANCIAL STATEMENTS
For the 52 week period ended 26 March 2017

2 TURNOVER

A geographical analysis of turnover, profit before taxation and net assets has not been given as in the opinion of the directors such disclosure would be severely prejudicial to the interests of the Group.

Details for the current period of turnover and profit by class of business is given in the profit and loss account and comparative information for the 52 week period ended 27 March 2016 is shown below:

| | 52 week period ended 27 March 2016 | | |
|--|------------------------------------|--------------------------------------|---------------|
| | Sports and gaming £000 | Football Club and facilities £000 | Total £000 |
| AMOUNTS WAGERED | 36,999,375 | - | 36,999,375 |
| TURNOVER | 1,546,895 | 106,392 | 1,653,287 |
| Direct costs | (222,370) | - | (222,370) |
| GROSS PROFIT | 1,324,525 | 106,392 | 1,430,917 |
| Administrative expenses | (876,225) | (97,976) | (974,201) |
| OPERATING PROFIT | 448,300 | 8,416 | 456,716 |
| Interest receivable and similar income | 2,815 | 103 | 2,918 |
| Interest payable and similar expenses | - | (1) | (1) |
| PROFIT BEFORE TAXATION | 451,115 | 8,518 | 459,633 |

3 EMPLOYEES

The average monthly number of persons (including directors) employed by the Group and Company during the period was:

| | GROUP | | COMPANY | |
|---|--|--|--|--|
| | 52 week period ended 26 March 2017 Number | 52 week period ended 27 March 2016 Number | 52 week period ended 26 March 2017 Number | 52 week period ended 27 March 2016 Number |
| Managers and supervisors | 397 | 352 | 5 | 5 |
| Operations and service support staff – betting and gaming group | 3,137 | 2,757 | - | - |
| Operations staff – football group | 233 | 227 | - | - |
| Full time playing staff and scholars | 68 | 68 | - | - |
| | 3,835 | 3,404 | 5 | 5 |

bet365 Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 March 2017

3 EMPLOYEES (continued)

In addition to the above the Group employed an average of 253 (2016: 297) match-day staff during the period.

| | GROUP | | COMPANY | |
|------------------------------------|--|--|--|--|
| | 52 week period ended 26 March 2017 £000 | 52 week period ended 27 March 2016 £000 | 52 week period ended 26 March 2017 £000 | 52 week period ended 27 March 2016 £000 |
| Staff costs for the above persons: | | | | |
| Wages and salaries | 516,787 | 277,089 | 282,807 | 91,055 |
| Social security costs | 62,367 | 33,694 | 39,027 | 12,566 |
| Other pension costs | 5,947 | 5,036 | 21 | 20 |
| | <u>585,101</u> | <u>315,819</u> | <u>321,855</u> | <u>103,641</u> |

DIRECTORS' REMUNERATION

| | 52 week period ended 26 March 2017 £000 | 52 week period ended 27 March 2016 £000 |
|---|--|--|
| Emoluments | 282,807 | 91,055 |
| Company contributions to money purchase pension schemes | 21 | 20 |
| | <u>282,828</u> | <u>91,075</u> |

One director accrues benefits under the money purchase pension scheme (2016: one).

Highest paid director

| | 52 week period ended 26 March 2017 £000 | 52 week period ended 27 March 2016 £000 |
|------------|--|--|
| Emoluments | <u>199,305</u> | <u>54,024</u> |

bet365 Group Limited
NOTES TO THE FINANCIAL STATEMENTS
For the 52 week period ended 26 March 2017

4 REMUNERATION OF KEY MANAGEMENT PERSONNEL

The total remuneration of the directors and managers who are considered to be the key management personnel of the Group was £321,855,000 (2016: £103,641,000).

5 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 £5,947,000 (2016: £5,036,000). Contributions amounting to £583,000 (2016: £478,000) were payable to the scheme at the period end and are included in other creditors. In respect of the multi-employer defined benefit scheme, a provision amounting to £128,000 (2016: £155,000) is included in provisions (note 21).

| 6 INTEREST RECEIVABLE AND SIMILAR INCOME | 52 week period ended 26 March 2017 £000 | 52 week period ended 27 March 2016 £000 |
|---|--|--|
| Bank interest | 4,136 | 2,918 |
| Dividend income from current asset investments | 1,171 | - |
| | <u>5,307</u> | <u>2,918</u> |

| 7 INTEREST PAYABLE AND SIMILAR EXPENSES | 52 week period ended 26 March 2017 £000 | 52 week period ended 27 March 2016 £000 |
|--|--|--|
| On bank loans | - | 1 |
| | <u>-</u> | <u>1</u> |

bet365 Group Limited
NOTES TO THE FINANCIAL STATEMENTS
For the 52 week period ended 26 March 2017

8 PROFIT BEFORE TAXATION

| | 52 week period ended 26 March 2017 £000 | 52 week period ended 27 March 2016 £000 |
|--|--|--|
| Profit before taxation is stated after charging/(crediting): | | |
| Depreciation and amounts written off tangible fixed assets: | | |
| Charge for the period – owned assets | 24,209 | 27,970 |
| Amortisation of player registrations | 22,120 | 16,970 |
| Amortisation of goodwill | 264 | 754 |
| Impairment of players' registrations | 520 | - |
| Amortisation of other intangible fixed assets | 5,612 | 5,149 |
| Impairment of tangible fixed assets | 161 | - |
| Profit on sale of fixed assets | (915) | (241) |
| Profit on disposal of players' registrations | (3,166) | (14,419) |
| Operating lease rentals: | | |
| Plant and machinery | 24 | 24 |
| Other | 7,010 | 7,231 |
| Software development | 26,687 | 21,015 |
| Exchange gains | (13,621) | (288) |
| Stock expensed to administrative expenses | 1,296 | 961 |
| Stock impairment reversals recognised in administrative expenses | (91) | (18) |
| | <hr/> | <hr/> |

bet365 Group Limited
NOTES TO THE FINANCIAL STATEMENTS
For the 52 week period ended 26 March 2017

8 PROFIT BEFORE TAXATION (continued)

| | 52 week period ended 26 March 2017 £000 | 52 week period ended 27 March 2016 £000 |
|---|--|--|
| Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services are as follows: | | |
| Audit services: | | |
| Statutory audit of parent and consolidation accounts | 17 | 14 |
| Other services: | | |
| Audit of subsidiaries where such services are provided by RSM associates | 26 | 9 |
| Audit of subsidiaries where such services are provided by RSM UK Audit LLP | 267 | 234 |
| Tax services: | | |
| Compliance services | 52 | 54 |
| Advisory services | 156 | 38 |
| Further assurance services | 36 | 11 |
| All other non-audit services | 51 | 30 |
| | 605 | 390 |
| Comprising: | | |
| Audit services | 310 | 257 |
| Non-audit services | 295 | 133 |
| | 605 | 390 |

Further assurance services includes fees paid in respect of auditing assignments to meet specific industry requirements including industry levy calculations and licence applications. The above fees are exclusive of VAT.

The figures presented are for bet365 Group limited and subsidiaries as if they were a single entity.

bet365 Group Limited has taken the exemption permitted by SI 2008/489 to omit disclosure of auditor's remuneration in respect of non-audit services provided to the Company, since this is included in the consolidation.

bet365 Group Limited
NOTES TO THE FINANCIAL STATEMENTS
For the 52 week period ended 26 March 2017

| 9 | TAXATION | 52 week period ended 26 March 2017 £000 | 52 week period ended 27 March 2016 £000 |
|---|--|--|--|
| | Current tax: | | |
| | UK corporation tax on profits of the period | 30,366 | 25,436 |
| | Overseas tax | 37,469 | 34,208 |
| | Adjustments in respect of previous period | (283) | (685) |
| | Total current tax | 67,552 | 58,959 |
| | Deferred tax: | | |
| | Origination and reversal of timing differences | (24,004) | (1,042) |
| | Effect of change in tax rate | 511 | 1,003 |
| | Adjustments in respect of previous period | (267) | (12) |
| | Total deferred tax | (23,760) | (51) |
| | Tax on profit | 43,792 | 58,908 |
| | Factors affecting tax charge for the period: | 52 week period ended 26 March 2017 £000 | 52 week period ended 27 March 2016 £000 |
| | The tax assessed for the period is lower (2016: lower) than the average standard rate of corporation tax in the UK 20% (2016: 20%). The differences are explained below: | | |
| | Profit before tax | 514,782 | 459,633 |
| | Profit before tax multiplied by the average standard rate of corporation tax in the UK 20% (2016: 20%) | 102,956 | 91,927 |
| | <i>Effects of:</i> | | |
| | Expenses not deductible for tax purposes | 1,648 | 550 |
| | Unprovided other timing differences | (31) | 65 |
| | Non taxable income | (81) | (37) |
| | Difference in tax rate of overseas subsidiaries | (37,086) | (34,079) |
| | Amounts relating to change in tax rates | 572 | 208 |
| | Utilised tax losses | (1,147) | (201) |
| | Adjustments in respect of previous period | (550) | (697) |
| | Unutilised tax losses carried forward | 613 | 1,182 |
| | Currency translation variance | - | (10) |
| | Tax losses not previously recognised | (23,102) | - |
| | Total tax charge | 43,792 | 58,908 |

bet365 Group Limited
NOTES TO THE FINANCIAL STATEMENTS
For the 52 week period ended 26 March 2017

| 10 | DIVIDENDS | 52 week period ended 26 March 2017 £000 | 52 week period ended 27 March 2016 £000 |
|----|---------------------------------|--|--|
| | Ordinary and A Ordinary shares: | | |
| | Dividends paid | 36,474 | 127,526 |

During the period 3 tranches (2016: 3 tranches) of dividends of £38.03, £69.74 and £13.28 (2016: £99.56, £49.78 and £273.89) per share were paid by the Company amounting to £36.5m (2016: £127.5m) in total.

On 3 July 2017 a dividend of £149.35 was paid by the Company, amounting to £45m.

11 INTANGIBLE FIXED ASSETS

| | Goodwill – Sports and gaming £000 | Goodwill – Football Club and facilities £000 | Player registrations £000 | Purchased computer software £000 | Total £000 |
|--|--|---|---------------------------------|---|---------------|
| GROUP | | | | | |
| <i>Cost</i> | | | | | |
| At beginning of period | 14,378 | 7,635 | 104,801 | 21,843 | 148,657 |
| Additions | - | - | 35,107 | 5,895 | 41,002 |
| Disposals | - | - | (7,310) | - | (7,310) |
| At end of period | 14,378 | 7,635 | 132,598 | 27,738 | 182,349 |
| <i>Amortisation and impairment</i> | | | | | |
| At beginning of period | 14,378 | 6,424 | 55,266 | 15,607 | 91,675 |
| Charge for the period | - | 264 | 22,120 | 5,612 | 27,996 |
| On disposals | - | - | (7,154) | - | (7,154) |
| Impairment | - | - | 520 | - | 520 |
| Transfer to tangible fixed assets | - | - | - | (3,389) | (3,389) |
| At end of period | 14,378 | 6,688 | 70,752 | 17,830 | 109,648 |
| <i>Carrying value</i> | | | | | |
| At 26 March 2017 | - | 947 | 61,846 | 9,908 | 72,701 |
| At 27 March 2016 | - | 1,211 | 49,535 | 6,236 | 56,982 |

bet365 Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 March 2017

11 INTANGIBLE FIXED ASSETS (continued)

The amortisation of goodwill, player registrations and software in the period and impairment losses are recognised in administration expenses.

Subsequent to the period end, the Group has acquired player registrations at an initial cost of £28,140,000. The Company has also disposed of player registrations, with initial proceeds on these being £30,033,000 and whose net book value at the year end was £6,378,000.

12 TANGIBLE FIXED ASSETS

| | Assets under construction | Freehold land and buildings | Leasehold land and buildings | Football Stadium | Fixtures, fittings and computer equipment | Plant and motor vehicles | Total |
|------------------------------------|---------------------------------|-----------------------------------|------------------------------------|---------------------|--|--------------------------------|---------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| GROUP | | | | | | | |
| <i>Cost or valuation</i> | | | | | | | |
| At beginning of period | | | | | | | |
| - Cost | 33,094 | 17,332 | 13,533 | 383 | 134,563 | 16,749 | 215,654 |
| - Valuation | - | - | - | 33,100 | - | - | 33,100 |
| Additions | 900 | 4,446 | 114 | 2,730 | 14,259 | 4,952 | 27,401 |
| Disposals | - | (858) | (1,162) | - | (971) | (3,387) | (6,378) |
| Transfers | (33,994) | 33,994 | - | - | - | - | - |
| Translation differences | - | - | - | - | 961 | 43 | 1,004 |
| | - | 54,914 | 12,485 | 36,213 | 148,812 | 18,357 | 270,781 |
| At end of period | | | | | | | |
| - Cost | - | 54,914 | 12,485 | 3,113 | 148,812 | 18,357 | 237,681 |
| - Valuation | - | - | - | 33,100 | - | - | 33,100 |
| | - | 54,914 | 12,485 | 36,213 | 148,812 | 18,357 | 270,781 |
| <i>Depreciation and impairment</i> | | | | | | | |
| At beginning of period | - | 1,539 | 7,732 | - | 99,954 | 9,931 | 119,156 |
| Charged in the period | - | 1,239 | 77 | - | 19,739 | 3,154 | 24,209 |
| Impairment | - | - | 161 | - | - | - | 161 |
| Transfer to intangibles | - | - | - | - | 3,389 | - | 3,389 |
| On disposals | - | (38) | (73) | - | (735) | (3,126) | (3,972) |
| Translation differences | - | - | - | - | 371 | (10) | 361 |
| | - | 2,740 | 7,897 | - | 122,718 | 9,949 | 143,304 |
| At end of period | - | 2,740 | 7,897 | - | 122,718 | 9,949 | 143,304 |
| <i>Carrying amount</i> | | | | | | | |
| At 26 March 2017 | - | 52,174 | 4,588 | 36,213 | 26,094 | 8,408 | 127,477 |
| At 27 March 2016 | 33,094 | 15,793 | 5,801 | 33,483 | 34,609 | 6,818 | 129,598 |

bet365 Group Limited
NOTES TO THE FINANCIAL STATEMENTS
For the 52 week period ended 26 March 2017

12 TANGIBLE FIXED ASSETS (continued)

Included in the Football Stadium is land with a carrying amount of £4,450,000 (2016: £4,450,000).

At 26 March 2017 the Group was party to a binding agreement to sell part of the Leasehold land and buildings for £675,000 (2016: £1,100,000). The carrying amount of the relevant assets at 26 March 2017 was £675,000 (2016: £1,089,000).

In March 2015 the football stadium was revalued by GVA Grimley Limited, Chartered Surveyors. The depreciated replacement costs method of valuation for Financial Reporting in accordance with the guidance notes issued by The Royal Institution of Chartered Surveyors for Asset Valuations gave rise to a market value of the bet365 Stadium, for accounting purposes, of £34,000,000, inclusive of £900,000 of plant and machinery. The valuation excluding this plant totalled £33,100,000.

On an historical cost basis the football stadium would have been included at:

| | 26 March 2017 £000 | 27 March 2016 £000 |
|--------------------------|-----------------------------------|--------------------------|
| Cost of Football Stadium | 22,291 | 19,561 |
| | <u> </u> | <u> </u> |
| Aggregate depreciation | - | - |
| | <u> </u> | <u> </u> |

The net book value of leasehold land and buildings comprises:

| | 26 March 2017 £000 | 27 March 2016 £000 |
|-----------------|-----------------------------------|--------------------------|
| Long leasehold | 4,357 | 5,647 |
| Short leasehold | 231 | 154 |
| | <u> </u> | <u> </u> |
| | 4,588 | 5,801 |
| | <u> </u> | <u> </u> |

Depreciation in respect of long leasehold properties in the period was £40,000 (2016: £49,000) and short leasehold properties in the period was £37,000 (2016: £18,000).

bet365 Group Limited
NOTES TO THE FINANCIAL STATEMENTS
For the 52 week period ended 26 March 2017

12 TANGIBLE FIXED ASSETS (continued)

| | Assets under construction £000 |
|-----------------------------------|--------------------------------------|
| COMPANY | |
| <i>Cost</i> | |
| At beginning of period | 33,094 |
| Additions | 900 |
| Transfer to investment properties | (33,994) |
| | <hr/> |
| At end of period | - |
| | <hr/> |
| <i>Carrying amount</i> | |
| At 26 March 2017 | - |
| | <hr/> |
| At 27 March 2016 | 33,094 |
| | <hr/> |

CAPITAL COMMITMENTS

At the period end the Group and Company had the following capital commitments

| | Group | | Company | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | 26 March 2017 £000 | 27 March 2016 £000 | 26 March 2017 £000 | 27 March 2016 £000 |
| Capital expenditure contracted for but not provided in the financial statements | 4,919 | 5,543 | - | 916 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

13 INVESTMENT PROPERTIES

| COMPANY | 26 March 2017 £000 | 27 March 2016 £000 |
|----------------------------|-----------------------------------|-----------------------------------|
| FAIR VALUE | | |
| At beginning of period | 5,696 | 5,996 |
| Addition | 148 | - |
| Transfer from fixed assets | 33,994 | - |
| Disposal | (1,100) | (300) |
| Fair value losses | (172) | - |
| | <hr/> | <hr/> |
| At end of period | 38,566 | 5,696 |
| | <hr/> | <hr/> |

bet365 Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 March 2017

13 INVESTMENT PROPERTIES (continued)

Investment property comprises of a long leasehold buildings. The fair value of the Company's investment property at 26 March 2017 has been arrived at on the basis of a valuation carried out by the directors.

At 26 March 2017 the Company was party to a binding agreement to sell part of its Investment Properties for £675,000 (2016: £1,100,000). The carrying amount of the relevant asset at 26 March 2017 was £675,000 (2016: £1,100,000).

If investment properties were stated on an historical cost basis rather than a fair value basis, the amounts would have been included as follows:

| | 26 March 2017 £000 | 27 March 2016 £000 |
|--------------------------|--------------------------|--------------------------|
| Cost | 38,523 | 12,878 |
| Accumulated depreciation | (202) | (49) |
| Impairment | (161) | (7,182) |
| Carrying amount | <u>38,160</u> | <u>5,647</u> |

14 FIXED ASSET INVESTMENTS

Shares in
group
undertakings
£000

COMPANY

Cost and net book value

At beginning and end of period 10,000

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

| Subsidiary undertaking | Country of registration and address | Nature of business | Proportion of nominal value | |
|---------------------------------------|---|---|--------------------------------|---------|
| | | | Group | Company |
| Hillside (New Media Holdings) Limited | UK - see note A | Holding Group | 100% | 100% |
| Hillside (Shared Services) Limited | UK - see note A | Provision of administration support services | 100% | - |
| Hillside (Trader Services) Limited | UK - see note A | Provision of trader services | 100% | 100% |
| Hillside (Media Services) Limited | UK - see note A | Provision of media services | 100% | 100% |
| Hillside (Technology) Limited | UK - see note A | Provision of software and technology support services | 100% | 100% |

bet365 Group Limited
NOTES TO THE FINANCIAL STATEMENTS
For the 52 week period ended 26 March 2017

14 FIXED ASSET INVESTMENTS (continued)

| <i>Subsidiary undertaking</i> | <i>Country of registration and address</i> | <i>Nature of business</i> | <i>Proportion of nominal value</i> | |
|---|--|--|------------------------------------|----------------|
| | | | <i>Group</i> | <i>Company</i> |
| Hillside (Spain New Media) Plc | UK – see note A | Provision of internet, mobile and telephone sports betting | 100% | - |
| Hillside (Sports) GP Limited | Gibraltar – see note B | General partner in limited partnerships providing Online Betting | 100% | - |
| Hillside (Gibraltar) Limited | Gibraltar – see note B | Provision of Online Casino, Poker, Bingo and Games | 100% | - |
| Hillside (Gaming) GP Limited | Gibraltar – see note B | General partner in limited partnerships providing Online Gaming | 100% | - |
| Hillside (New Media Holdings Malta) Limited | Malta – see note C | Holding Group | 100% | - |
| Hillside (New Media Malta) Plc (formerly Hillside (New Media Malta) Limited) | Malta – see note C | Provision of internet, mobile and telephone sports betting | 100% | - |
| Hillside (Marketing Malta) Limited | Malta – see note C | Provision of marketing services | 100% | - |
| Hillside (Technology Malta) Limited | Malta – see note C | Provision of technology support services | 100% | - |
| Hillside (Australia New Media) Pty Limited | Australia – see note D | Provision of internet, mobile and telephone sports betting | 100% | - |
| Hillside Espana Leisure, S.A. | Spain – see note E | Provision of Online Casino, Poker, Bingo and Games | 100% | - |
| Hillside (Bulgaria) EOOD | Bulgaria – see note F | Provision of software and technology support services | 100% | - |
| Hillside (New Media Cyprus) Limited | Cyprus – see note G | Provision of internet, mobile and telephone sports betting | 100% | - |
| Stoke City Holdings Limited | UK – see note H | Holding Group | 100% | 100% |
| Stoke City Football Club Limited | UK – see note H | Football Club | 98.1% | - |
| Stoke City (Property) Limited | UK – see note H | Provision of stadium and training ground facilities | 100% | - |
| bet365 International NV | Netherlands Antilles – see note I | Dormant | 100% | - |
| Hillside (Gibraltar Holdings) Limited | Gibraltar – see note B | Dormant | 100% | - |
| Hillside (Gibraltar New Media) Limited | Gibraltar – see note B | Dormant | 100% | - |
| Hillside (Leisure) Limited | UK – see note A | Dormant | 100% | - |
| Hillside (Alderney) Limited | Alderney – see note J | Dormant | 100% | - |

bet365 Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 March 2017

14 FIXED ASSET INVESTMENTS (continued)

The Group controls more than 20% of the equity of the following Limited Partnerships:

| <i>Undertaking</i> | <i>Country of registration and address</i> | <i>Principal activity</i> | <i>Percentage of control</i> | |
|------------------------------------|--|--|------------------------------|----------------|
| | | | <i>Group</i> | <i>Company</i> |
| Hillside (International Sports) LP | Gibraltar – see note B | Provision of internet, mobile and telephone sports betting | 100% | - |
| Hillside (Sports) LP | Gibraltar – see note B | Provision of internet, mobile and telephone sports betting | 100% | - |
| Hillside (UK Sports) LP | Gibraltar – see note B | Provision of internet, mobile and telephone sports betting | 100% | - |
| Hillside (International Gaming) LP | Gibraltar – see note B | Provision of Online Casino, Poker, Bingo and Games | 100% | - |
| Hillside (Gaming) LP | Gibraltar – see note B | Provision of Online Casino, Poker, Bingo and Games | 100% | - |

Note A: bet365 House, Media Way, Stoke-on-Trent, ST1 5SZ, United Kingdom

Note B: Unit 1.1, 1st Floor Waterport Place, 2 Europort Avenue, Gibraltar

Note C: Office 1/2373, Level G, Quantam House 75, Abate Rigord Street, Ta'Xbiex, XBX 1120, Malta

Note D: Level 4, 90 Arthur Street, North Sydney, NS2 2060, Australia

Note E: 20, Calle Conde de Aranda, Madrid, Spain

Note F: 1463 Sofia City, Sofia District (capital city) Municipality Stolichna, Triaditza Region 82, Patriarch Evtimii Boulevard, Bulgaria

Note G: Omrania Centre, 313 28th October Ave, Limassol, 3105, Cyprus.

Note H: bet365 Stadium, Stanley Matthews Way, Stoke-on-Trent, ST4 4EG, United Kingdom

Note I: New Haven Centre, Emancipatie Boulevard 31, Post Box 6052, Curacao, Netherland Antilles

Note J: Century House, 12 Victoria Street, Alderney, GY9 3UF

15 STOCK

| | <i>Group</i> | | <i>Company</i> | |
|----------------|----------------------|----------------------|----------------------|----------------------|
| | <i>26 March 2017</i> | <i>27 March 2016</i> | <i>26 March 2017</i> | <i>27 March 2016</i> |
| | <i>£000</i> | <i>£000</i> | <i>£000</i> | <i>£000</i> |
| Finished goods | 605 | 166 | - | - |

bet365 Group Limited
NOTES TO THE FINANCIAL STATEMENTS
For the 52 week period ended 26 March 2017

16 DEBTORS

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 26 March | 27 March | 26 March | 27 March |
| | 2017 | 2016 | 2017 | 2016 |
| | £000 | £000 | £000 | £000 |
| <i>Amounts falling due within one year:</i> | | | | |
| Trade debtors | 3,670 | 10,383 | - | - |
| Amounts owed by group undertakings | - | - | 490,124 | 326,584 |
| Corporation tax | - | - | - | 1,004 |
| Other debtors | 28,049 | 17,500 | 1,494 | 1,157 |
| Cash equivalents | 114,495 | 140,707 | - | - |
| Prepayments and accrued income | 23,123 | 15,469 | - | - |
| Deferred tax asset (see note 21) | 31,937 | 8,040 | 866 | 466 |
| | <u>201,274</u> | <u>192,099</u> | <u>492,484</u> | <u>329,211</u> |
| <i>Amounts falling due after more than one year:</i> | | | | |
| Other debtors | 1,053 | 1,427 | 1,053 | 1,427 |
| | <u>202,327</u> | <u>193,526</u> | <u>493,537</u> | <u>330,638</u> |

17 CURRENT ASSET INVESTMENTS

| | Group | | Company | |
|------------------------|----------------|----------|----------------|----------|
| | 26 March | 27 March | 26 March | 27 March |
| | 2017 | 2016 | 2017 | 2016 |
| | £000 | £000 | £000 | £000 |
| Listed investment | 49,855 | - | 49,855 | - |
| Unlisted investment: | | | | |
| - Cash and Bonds | 73,425 | - | 73,425 | - |
| - In trade investments | 8,619 | - | 8,619 | - |
| | <u>131,899</u> | <u>-</u> | <u>131,899</u> | <u>-</u> |

The fair values of the listed investments are based on quoted market prices for the equity shares using the current bid price. The fair value of trade investments are valued at the single market price as advised by the investment manager. The historical cost of the listed investments is £41,241,506 (2016: £nil) and unlisted investments £82,066,305 (2016: £nil). The Group and Company holds a diverse portfolio of investments to minimise any risks arising from changes in market conditions on its investments. The investments held are highly liquid and held for the future use within the business.

bet365 Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 March 2017

18 CREDITORS: Amounts falling due within one year

| | Group | | Company | |
|--|----------------|----------------|---------------|---------------|
| | 26 March | 27 March | 26 March | 27 March |
| | 2017 | 2016 | 2017 | 2016 |
| | £000 | £000 | £000 | £000 |
| Trade creditors | 244,677 | 219,821 | 38 | 15 |
| Corporation tax | 14,383 | 30,838 | - | - |
| Other taxation and social security costs | 15,807 | 8,995 | 861 | 758 |
| Other creditors | 97,647 | 69,559 | 6,841 | 2,139 |
| Accruals and deferred income | 195,018 | 184,274 | 67,068 | 80,996 |
| | <u>567,532</u> | <u>513,487</u> | <u>74,808</u> | <u>83,908</u> |

Included in trade creditors is an amount of £210,147,000 (2016: £194,937,000) in respect of amounts due to customers. This is offset by an amount, held in segregated accounts, equivalent to these funds in cash at bank and cash equivalents.

19 CREDITORS: Amounts falling due after more than one year

| | Group | | Company | |
|------------------------------|--------------|--------------|--------------|--------------|
| | 26 March | 27 March | 26 March | 27 March |
| | 2017 | 2016 | 2017 | 2016 |
| | £000 | £000 | £000 | £000 |
| Accruals and deferred income | 9,637 | 5,573 | 9,637 | 5,573 |
| | <u>9,637</u> | <u>5,573</u> | <u>9,637</u> | <u>5,573</u> |

20 FINANCIAL INSTRUMENTS

The carrying amount of the Group's financial instruments at the period end were:

| | 26 March | 27 March |
|---|----------|----------|
| | 2017 | 2016 |
| | £000 | £000 |
| Financial assets: | | |
| Debt instruments measured at amortised cost | 147,326 | 170,060 |
| Financial liabilities: | | |
| Measured at amortised cost | 561,579 | 474,392 |

Financial assets measured at amortised cost include trade debtors, other debtors, cash equivalents and accrued income.

Financial liabilities measured at amortised cost include trade creditors, other creditors and accruals.

bet365 Group Limited
NOTES TO THE FINANCIAL STATEMENTS
For the 52 week period ended 26 March 2017

21 PROVISION FOR LIABILITIES

| | Pension obligations £000 |
|-------------------------|-----------------------------|
| GROUP | |
| At start of period | 155 |
| Credit in the period | (27) |
| At end of period | 128 |

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. In addition a provision has been established for future enhanced contributions following instruction from the actuaries of the schemes. The expected contributions to the scheme for the next financial period are £26,000 (2016: £26,000).

GROUP

| | |
|---------------------------------------|---------------|
| DEFERRED TAXATION ASSET | £000 |
| At beginning of period | 8,040 |
| Credit to the profit and loss account | 23,897 |
| At end of period | 31,937 |

The elements of the deferred tax asset are as follows:

| | Provided | | Unprovided | |
|--------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 26 March 2017 £000 | 27 March 2016 £000 | 26 March 2017 £000 | 27 March 2016 £000 |
| Fixed asset timing differences | 7,649 | 8,256 | 22 | 111 |
| Other timing differences | 3,693 | 2,202 | 612 | 1,028 |
| Tax losses | 22,467 | 55 | 2,369 | 21,628 |
| Revaluation of stadium | (1,872) | (2,473) | - | - |
| | 31,937 | 8,040 | 3,003 | 22,767 |

bet365 Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 March 2017

21 PROVISION FOR LIABILITIES (continued)

In respect of the Group there are unutilised tax losses available for future use of £2,369,000 (2016: £21,628,000) relating to Stoke City Football Club Limited and certain overseas subsidiaries.

A deferred tax asset has not been reflected as the recovery of this asset cannot be assessed with reasonable certainty.

COMPANY

| DEFERRED TAXATION ASSET | £000 |
|---------------------------------------|------------|
| At beginning of period | 466 |
| Credit to the profit and loss account | 400 |
| At end of period - asset | 866 |

| | Provided | | Unprovided | |
|--------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 26 March 2017 £000 | 27 March 2016 £000 | 26 March 2017 £000 | 27 March 2016 £000 |
| Fixed timing differences - liability | (772) | (573) | - | - |
| Other timing differences - asset | 1,638 | 1,039 | 462 | 16 |
| Asset at end of period | 866 | 466 | 462 | 16 |

22 SHARE CAPITAL

GROUP AND COMPANY

Allotted, called up and fully paid
284,313 ordinary shares of 1 pence each
17,000 "A" ordinary shares of 1 pence each

| | 26 March 2017 £000 | 27 March 2016 £000 |
|--|--------------------------|--------------------------|
| | 3 | 3 |
| | - | - |
| | 3 | 3 |

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

Ordinary share rights

The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

bet365 Group Limited

NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 26 March 2017

| | | | |
|----|--|-----------------------------------|-----------------------------------|
| 23 | NON-CONTROLLING INTEREST | 26 March 2017 £000 | 27 March 2016 £000 |
| | Non-controlling share of (loss)/profit for the period | (195) | 187 |
| | Additional/(reduction in) provision against non-controlling interest | 195 | (187) |
| | | <hr/> | <hr/> |
| | | - | - |
| | | <hr/> | <hr/> |

The directors have made a provision against the non-controlling interest debtor as they consider the Group would have an obligation to provide finance that they may not be able to recover in respect of the accumulated losses in its subsidiary which are attributable to the non-controlling interests.

24 RECONCILIATION OF PROFIT AFTER TAX TO NET CASH GENERATED FROM OPERATIONS

| | | |
|---|--|--|
| | 52 week period ended 26 March 2017 £000 | 52 week period ended 27 March 2016 £000 |
| Profit after tax | 470,990 | 400,725 |
| Depreciation of tangible fixed assets | 24,209 | 27,970 |
| Impairment of intangible fixed assets | 520 | - |
| Impairment of fixed assets | 161 | - |
| Amortisation and impairment of player registrations | 22,120 | 16,970 |
| Amortisation of goodwill | 264 | 754 |
| Amortisation of other intangible fixed assets | 5,612 | 5,149 |
| Profit on sale of fixed assets | (915) | (241) |
| Profit on disposal of player registrations | (3,166) | (14,419) |
| Fair value gain on current asset investment | (6,784) | - |
| Interest receivable | (4,136) | (2,918) |
| Interest payable | - | 1 |
| Taxation | 43,792 | 58,908 |
| | <hr/> | <hr/> |
| OPERATING CASH FLOWS BEFORE MOVEMENTS IN WORKING CAPITAL | 552,667 | 492,899 |
| (Increase)/decrease in stock | (439) | 50 |
| Decrease in debtors | 3,268 | 25,676 |
| Increase in creditors | 44,895 | 27,052 |
| Decrease in provisions | (27) | (78) |
| | <hr/> | <hr/> |
| CASH GENERATED FROM OPERATIONS | 600,364 | 545,599 |
| | <hr/> | <hr/> |

bet365 Group Limited
NOTES TO THE FINANCIAL STATEMENTS
For the 52 week period ended 26 March 2017

25 COMMITMENTS UNDER OPERATING LEASES

The total future minimum lease payments under non-cancellable operating leases of the Group are as follows:

| | 52 week period ended 26 March 2017 £000 | 52 week period ended 27 March 2016 £000 |
|--|--|--|
| Land and buildings: | | |
| Amounts due within one year | 4,988 | 5,216 |
| Amounts due between two and five years | 5,513 | 10,037 |
| Amounts due in more than five years | 82 | 77 |
| | <hr/> 10,583 <hr/> | <hr/> 15,330 <hr/> |

26 COMMITMENTS

a) Security

Barclays Bank plc holds a charge dated 18 December 2012 which provides cash cover against bank guarantees provided in relation to the Group's entry into certain regulated markets. This totalled €17.0m (Euros) (2016: €4.7m) at the period end date.

b) Contingent liabilities

The Group has issued trade guarantees amounting to £nil (2016: £5.5m).

bet365 Group Limited have confirmed they will provide financial support to Stoke City Holdings Limited and Stoke City Football Limited.

The directors do not consider it practicable to estimate the financial impact of this support on the Group and it is in place for at least 12 months from the date of signing of the subsidiaries' statutory accounts.

In accordance with the Group's accounting policies for transfer fees linked to player contracts and other contracts in place, any additional fees are accounted for under these agreements in the period that it becomes probable that the condition is fulfilled.

Additional fees under these contracts that may therefore be payable if certain conditions are met in the future, have been estimated by the directors at the period end date at £7.1m (2016: £7.1m).

bet365 Group Limited
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27 RELATED PARTY TRANSACTIONS

Transactions between the Group and members of the Group which are not wholly owned are disclosed below:

| | 2017 | | | | 2016 | | |
|-------------------------|--|---|--|--|--|---|--|
| | Sales and other income £000 | Purchases and other charges £000 | Loans (paid)/ received £000 | Net amount owed to/ (from) the group £000 | Sales and other income £000 | Purchases and other charges £000 | Loans (paid)/ received £000 |
| Subsidiary undertakings | 5,073 | (3,085) | (5,686) | - | 5,321 | (2,059) | 2,330 |

In addition, the following transactions took place during the period with companies that are associated with the bet365 Group Limited group:

| | 2017 | | | | 2016 | | |
|--|--|---|--|--|--|---|--|
| | Sales and other income £000 | Purchases and other charges £000 | Net amount owed from the group £000 | | Sales and other income £000 | Purchases and other charges £000 | Net amount owed to the group £000 |
| Other related parties (common control) | 478 | (1,135) | (253) | | 562 | (1,320) | (10) |

During the period the Group donated £50,000,000 (2016: £20,000,000) to the Denise Coates Foundation, a charity of which Denise Coates CBE, John Coates and Peter Coates are trustees.

The Foundation receives support from the bet365 Group Limited in respect of office space and other costs including management time, but the Group believe that this support is not material to disclose in the period.

During the period, dividends of £32,421,000 (2016: £113,350,000) were paid to the directors of the Company.

GROUP AND COMPANY

At the period end D Coates CBE was due monies from the Group of £1,830,000 (2016: £1,409,000) and J Coates was due monies from the Group of £5,000,000 (2016: £722,000). During the period the maximum debtor balance owed by D Coates CBE was £nil (2016: £3,459,000) and J Coates £nil (2016: £nil).

28 CONTROLLING INTEREST

bet365 Group Limited is under the control of Denise Coates CBE and her family.