

Bet365 Group Limited

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

30 March 2003

Company Registration No. 4241161



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30/07/03

Bet365 Group Limited

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Bet365 Group Limited

DIRECTORS AND OFFICERS

DIRECTORS

P Coates
JF Coates
D Coates
WW Roseff

SECRETARY

SJ Adlington

REGISTERED OFFICE

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

AUDITORS

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

Bet365 Group Limited

DIRECTORS' REPORT

The directors submit their annual report and the audited financial statements of Bet365 Group Limited for the 43 week period ended 30 March 2003.

PRINCIPAL ACTIVITIES

The company holds investments in two subsidiary companies, the principal activities of which are the operation of licensed betting offices, the provision of telephone, internet and mobile betting operations and software development.

RESULTS AND DIVIDENDS

The group has enjoyed a satisfactory period's trading. The results for the period are set out in the profit and loss account.

The directors do not recommend the payment of a dividend (2 June 2002: £nil).

REVIEW OF THE BUSINESS

The results for the period are set out on page 7.

MARKET VALUE OF LAND AND BUILDINGS

In the opinion of the directors, the market value of land and buildings of the Group does not significantly exceed the book value of these assets.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors who held office during the period, together with their interests in the ordinary shares of the company according to the register of directors' interests, were as follows:

	Class of shares	Interest at beginning and end of period
P Coates	Ordinary shares	947
	"A" Ordinary shares	170
	"B" Ordinary shares	250
JF Coates	Ordinary shares	120
	"B" Ordinary shares	250
D Coates	Ordinary shares	120
	"B" Ordinary shares	250
WW Roseff	"B" Ordinary shares	250

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.

Special attention is paid to the training and other needs of persons who become disabled whilst in the Group's employment.

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

POLITICAL AND CHARITABLE CONTRIBUTIONS

The group made no political or charitable contributions during the period (2 June 2002: £nil).

Bet365 Group Limited

DIRECTORS' REPORT (CONTINUED)

AUDITORS

KPMG LLP resigned as company auditors on 28 March 2003 and Baker Tilly were appointed to fill the casual vacancy arising.

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

For and on behalf of the board



SJ Adlington
Secretary

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

28 JULY 2003

Bet365 Group Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BET365 GROUP LIMITED

We have audited the financial statements on pages 7 to 29.

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

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

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

Basis of opinion

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BET365 GROUP LIMITED (CONTINUED)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 30 March 2003 and of the group loss for the period then ended and the financial statements have been properly prepared in accordance with the Companies Act 1985.

Baker Tilly

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

29 July 2003

Bet365 Group Limited
CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the 43 week period ended 30 March 2003

	Note	Before goodwill and exceptional items £	Goodwill and exceptional items £	2003 Total £	52 weeks ended 2 June 2002 Total (Acquired) £
TURNOVER	1	240,285,436	-	240,285,436	91,418,796
Direct costs		(226,725,092)	-	(226,725,092)	(84,705,829)
GROSS PROFIT		13,560,344	-	13,560,344	6,712,967
Administrative expenses		(15,874,976)	(830,487)	(16,705,463)	(11,688,607)
Other operating income		32,169	-	32,169	38,838
OPERATING LOSS		(2,282,463)	(830,487)	(3,112,950)	(4,936,802)
Other interest receivable and similar income	2			-	12,300
Interest payable and similar charges	3			(620,476)	(296,557)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	1-5			(3,733,426)	(5,221,059)
Tax on loss on ordinary activities	6			143,000	-
RETAINED LOSS FOR THE FINANCIAL PERIOD				(3,590,426)	(5,221,059)

The operating loss for the period arises from the company's continuing operations.

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

Bet365 Group Limited
CONSOLIDATED BALANCE SHEET
at 30 March 2003

	Note	2003		2 June 2002	
		£	£	£	£
FIXED ASSETS					
Intangible assets	7		23,935,521		24,716,008
Tangible assets	8		5,241,847		3,597,442
			<u> </u>		<u> </u>
			29,177,368		28,313,450
CURRENT ASSETS					
Stocks	10	12,053		6,889	
Debtors	11	942,745		694,070	
Cash at bank and in hand		1,057,830		1,526,568	
		<u> </u>		<u> </u>	
			2,012,628		2,227,527
CREDITORS: Amounts falling due within one year	12		(8,151,480)		(8,209,305)
			<u> </u>		<u> </u>
NET CURRENT LIABILITIES			(6,138,852)		(5,981,778)
TOTAL ASSETS LESS CURRENT LIABILITIES					
			<u> </u>		<u> </u>
			23,038,516		22,331,672
CREDITORS: Amounts falling due after more than one year	13		(12,850,000)		(8,485,695)
PROVISIONS FOR LIABILITIES AND CHARGES			-		(67,035)
			<u> </u>		<u> </u>
NET ASSETS			10,188,516		13,778,942
CAPITAL AND RESERVES					
Called up share capital	15		2,607		2,607
Share premium account	16		18,997,394		18,997,394
Profit and loss account	16		(8,811,485)		(5,221,059)
			<u> </u>		<u> </u>
EQUITY SHAREHOLDERS' FUNDS			10,188,516		13,778,942
			<u> </u>		<u> </u>

Approved by the board on

28th July 2003


J.P. Coates
Director

Bet365 Group Limited

BALANCE SHEET

at 30 March 2003

	Note	2003 £	2 June 2002 £
FIXED ASSETS			
Investments	9	19,000,001	19,000,001
		<u>19,000,001</u>	<u>19,000,001</u>
CAPITAL AND RESERVES			
Called up share capital	15	2,607	2,607
Share premium account	16	18,997,394	18,997,394
Profit and loss account	16	-	-
		<u>19,000,001</u>	<u>19,000,001</u>
EQUITY SHAREHOLDERS' FUNDS		<u>19,000,001</u>	<u>19,000,001</u>

Approved by the board on 28th July 2003


JF Goates
Director

Bet365 Group Limited
CONSOLIDATED CASH FLOW STATEMENT
for the 43 week period ended 30 March 2003

	Note	2003		52 weeks ended 2 June 2002	
		£	£	£	£
CASH FLOW FROM OPERATING ACTIVITIES	17		33,752		(1,346,095)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		-		12,300	
Interest paid		(620,476)		(296,557)	
Interest element of finance lease rental payments		-		-	
NET CASH OUTFLOW FOR RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(620,476)		(284,257)
TAXATION					-
CAPITAL EXPENDITURE					
Purchase of intangible assets		(50,000)		-	
Purchase of tangible fixed assets		(2,446,708)		(640,052)	
Sale of tangible fixed assets		-		22,300	
NET CASH OUTFLOW FOR CAPITAL EXPENDITURE			(2,496,708)		(617,752)
CASH OUTFLOW BEFORE FINANCING			(3,083,432)		(2,248,104)
NET CASH OUTFLOW FROM FINANCING			-		-
DECREASE IN CASH IN THE PERIOD	19		(3,083,432)		(2,248,104)

Bet365 Group Limited

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the 43 week period ended 30 March 2003

	Group		Company	
	2003	52 weeks ended 2 June 2002	2003	52 weeks ended 2 June 2002
	£	£	£	£
LOSS FOR THE FINANCIAL PERIOD	(3,590,426)	(5,221,059)	-	-
New share capital subscribed	-	19,000,001	-	19,000,001
NET (REDUCTION)/ADDITION IN SHAREHOLDERS' FUNDS	(3,590,426)	13,778,942	-	19,000,001
Opening shareholders' funds	13,778,942	-	19,000,001	-
CLOSING SHAREHOLDERS' FUNDS	10,188,516	13,778,942	19,000,001	19,000,001

Bet365 Group Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

The financial statements have been prepared on the going concern basis, in line with the trading levels achieved at the time of signing the accounts.

The company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the Bet365 Group (or investees of the group qualifying as related parties).

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate those of Bet365 Group Limited and all of its subsidiary undertakings for the period. Subsidiaries acquired during the period are consolidated using the acquisition method. Their results are incorporated from the date that control passes. The difference between the cost of acquisition of shares in subsidiaries and the fair value of the separable net assets acquired is capitalised. Provision is made for any impairment. All financial statements are made up to 30 March 2003.

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

TANGIBLE FIXED ASSETS

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

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

No depreciation is provided on freehold land and buildings used for the purpose of carrying on the company's business. It is the company's practice to maintain these assets in a continual state of sound repair and to extend and make improvements thereto from time to time and accordingly the directors consider that the lives of these assets are so long and residual values (based on prices prevailing at the time of acquisition) are so high that their depreciation is insignificant. An annual impairment review in the value of such properties is performed and any permanent diminution in the value of such properties is charged to the profit and loss account as appropriate.

INTANGIBLE FIXED ASSETS

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions is capitalised.

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

- The goodwill supportable by the strength of the brand acquired is considered to have an indefinite useful economic life and will not be amortised but subject to an annual impairment review, with any permanent diminution in value being charged directly to the profit and loss account in the period in which it occurs.
- The goodwill attributable to software development costs were previously amortised over 7 years. This has been reduced to 3 years in the period, recognising the shorter life of these assets.
- Licences acquired with licensed betting offices and capitalised are not amortised as the directors consider these have an indefinite useful life and will be subject to an annual impairment review, permanent diminutions in value being charged to the profit and loss account in the period they arise.

Bet365 Group Limited

ACCOUNTING POLICIES

There has been no material impact on the profit and loss account as a result of the above changes.

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

RESEARCH AND DEVELOPMENT EXPENDITURE

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

SOFTWARE DEVELOPMENT

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

INVESTMENTS

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

STOCKS AND WORK IN PROGRESS

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

FOREIGN CURRENCIES

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

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

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

LEASED ASSETS AND OBLIGATIONS

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

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

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

Bet365 Group Limited

ACCOUNTING POLICIES

RETIREMENT BENEFITS

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

CASH RESOURCES

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

Bet365 Group Limited

NOTES TO THE FINANCIAL STATEMENTS for the 43 week period ended 30 March 2003

1 TURNOVER

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers.

Turnover in respect of the provision of telephone, internet and mobile betting operations consists of the amounts receivable from customers for bets settled during the accounting period.

Turnover for ante posts bets is not recognised until the bet is settled.

The Group's turnover, results and operating net assets arise primarily from customers in the United Kingdom with an immaterial amount from customers outside the United Kingdom.

2	OTHER INTEREST RECEIVABLE AND SIMILAR INCOME – GROUP	2003	52 weeks ended 2 June 2002
		£	£
	Other	-	12,300
		<u> </u>	<u> </u>
3	INTEREST PAYABLE AND SIMILAR CHARGES - GROUP	2003	52 weeks ended 2 June 2002
		£	£
	On bank loans and overdrafts	620,476	296,557
		<u> </u>	<u> </u>

Bet365 Group Limited

NOTES TO THE FINANCIAL STATEMENTS

for the 43 week period ended 30 March 2003

4	LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2003	52 weeks ended 2 June 2002
		£	£
	Loss on ordinary activities before taxation is stated after charging:		
	Depreciation and amounts written off tangible fixed assets:		
	Charge for the period		
	Owned assets	802,303	512,917
	Amortisation of intangible assets	830,487	618,000
	Operating lease rentals:		
	Plant and machinery	533,182	578,413
	Other	-	356,000
	Auditors' remuneration:		
	Audit - Group	27,500	29,052
	- Company	-	-
	Other services - Group	21,530	21,530
	- Company	-	-
		<u> </u>	<u> </u>
5	EMPLOYEES	2003	52 weeks ended 2 June 2002
		Number	Number
	The average monthly number of persons (including directors) employed by the group during the period was:		
	Managers and supervisors	138	106
	Operations staff	402	232
		<u> </u>	<u> </u>
		540	338
		<u> </u>	<u> </u>
		2003	52 weeks ended 2 June 2002
		£	£
	Staff costs for the above persons:		
	Wages and salaries	5,503,866	2,632,289
	Social security costs	419,490	207,084
	Other pension costs	36,736	24,758
		<u> </u>	<u> </u>
		5,960,092	2,864,131
		<u> </u>	<u> </u>

Bet365 Group Limited

NOTES TO THE FINANCIAL STATEMENTS
for the 43 week period ended 30 March 2003

5 EMPLOYEES (continued)

DIRECTORS' REMUNERATION	2003 £	2002 £
Emoluments	<u>656,952</u>	<u>175,248</u>

The emoluments of the highest paid director were £470,360.

6 TAXATION	2003		52 weeks ended 2 June 2002	
	£	£	£	£
Current tax:				
UK corporation tax on losses of the period	-		-	
Adjustments in respect of previous periods	-		-	
	<u> </u>		<u> </u>	
Total current tax		-		-
Deferred tax:				
Origination and reversal of timing differences	(143,000)		-	
	<u> </u>		<u> </u>	
Total deferred tax		(143,000)		-
		<u> </u>		<u> </u>
Tax on loss on ordinary activities		(143,000)		-
		<u> </u>		<u> </u>

Bet365 Group Limited

NOTES TO THE FINANCIAL STATEMENTS
for the 43 week period ended 30 March 2003

6 TAXATION (continued)

	2003	52 weeks ended 2 June 2002
	£	£
<i>Factors affecting tax charge for the period:</i>		
The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:		
Loss on ordinary activities before tax	(3,733,426)	(5,221,059)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2002: 30%)	(1,120,028)	(1,566,318)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	267,583	234,432
Depreciation in excess of capital allowances	60,727	12,364
Non taxable income	(21,209)	-
Losses unutilised	765,454	1,188,967
Movement in other timing differences	47,473	130,555
Current tax charge for the period	-	-

Factors that may affect future tax charges

The group has trading losses of approximately £13,601,000 which may be available for offset against trading profit arising in the future, which would reduce tax payments.

The company has capital losses of £74,000 (2 June 2002: £79,000) which may be available for offset against certain gains in the future, which would reduce tax payments.

Bet365 Group Limited

NOTES TO THE FINANCIAL STATEMENTS
for the 43 week period ended 30 March 2003

7 INTANGIBLE FIXED ASSETS

	Goodwill	Development costs	Licences	Total
	£	£	£	£
GROUP				
<i>Cost</i>				
At beginning of period	4,173,497	2,856,667	18,303,844	25,334,008
Additions	-	-	50,000	50,000
	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	4,173,497	2,856,667	18,353,844	25,384,008
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Amortisation and impairment</i>				
At beginning of period	-	618,000	-	618,000
Charged in the period	-	830,487	-	830,487
	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	-	1,448,487	-	1,448,487
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 30 March 2003	4,173,497	1,408,180	18,353,844	23,935,521
	<hr/>	<hr/>	<hr/>	<hr/>
At 2 June 2002	4,173,497	2,238,667	18,303,844	24,716,008
	<hr/>	<hr/>	<hr/>	<hr/>

Bet365 Group Limited

NOTES TO THE FINANCIAL STATEMENTS
for the 43 week period ended 30 March 2003

8 TANGIBLE FIXED ASSETS

	Land and buildings £	Motor vehicles £	Fixtures, fittings, tools and equipment £	Total £
GROUP				
<i>Cost</i>				
At beginning of period	1,137,203	171,791	2,801,365	4,110,359
Additions	132,400	33,615	2,327,593	2,493,608
Disposals	-	(9,600)	(46,900)	(56,500)
At end of period	1,269,603	195,806	5,082,058	6,547,467
<i>Depreciation</i>				
At beginning of period	-	79,817	433,100	512,917
Charged in the period	-	38,288	764,015	802,303
On disposals	-	(9,600)	-	(9,600)
At end of period	-	108,505	1,197,115	1,305,620
<i>Net book value</i>				
At 30 March 2003	1,269,603	87,301	3,884,943	5,241,847
At 2 June 2002	1,137,203	91,974	2,368,265	3,597,442

Bet365 Group Limited

NOTES TO THE FINANCIAL STATEMENTS

for the 43 week period ended 30 March 2003

9 FIXED ASSETS INVESTMENTS

Shares in
group
undertakings
£

COMPANY

Cost and net book value:

At beginning and end of period

19,000,001

The principal undertakings in which the Group's interest at the period end is more than 20% are as follows:

<i>Subsidiary undertakings</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Percentage of shares held</i>	
			<i>Group</i>	<i>Company</i>
Bet365 Holdings Ltd	England and Wales	Holding company		100%
Bet365 (LBO Holdings) Ltd	England and Wales	Holding company		100%
Bet365 Limited	England and Wales	Provision of telephone, internet and mobile betting and software development	100%	
Bet365 (Cash Betting) Ltd	England and Wales	Operation of licensed betting offices	100%	
Bet365 Ventures Ltd	England and Wales	Dormant	100%	
Bet365 International NV	Netherlands Antilles	Provision of on-line casino	100%	

Bet365 Group Limited

NOTES TO THE FINANCIAL STATEMENTS
for the 43 week period ended 30 March 2003

10 STOCKS

Group
2003 2 June
2002
£ £

Consumables 12,053 6,889

11 DEBTORS

Group
2003 2 June
2002
£ £

Amounts falling due within one year:

Other debtors 197,460 266,265
Prepayments and accrued income 669,320 427,805
Deferred tax asset 75,965 -

942,745 694,070

12 CREDITORS: Amounts falling due within one year

Group
2003 2 June
2002
£ £

Bank loans and overdrafts - 1,749,611
Trade creditors 5,614,753 4,669,617
Taxation and social security costs 321,054 307,756
Accruals and deferred income 1,552,114 897,614
Other creditors 663,559 584,707

8,151,480 8,209,305

Bet365 Group Limited

NOTES TO THE FINANCIAL STATEMENTS for the 43 week period ended 30 March 2003

13 CREDITORS: Amounts falling due after more than one year

	Group	
	2003	2 June 2002
	£	£
Bank loans	9,700,000	4,335,695
Amounts due to related parties (see note 24)	3,150,000	4,150,000
	<u>12,850,000</u>	<u>8,485,695</u>

The bank loan is secured on various licensed betting offices of Bet 365 (Cash Betting) Limited and accrues interest at 2.25% per annum above the bank base rate. Amounts due to related parties are unsecured and accrue interest at 1.625% above bank base rate.

The maturity of the above loans is:

	Group	
	2003	2 June 2002
	£	£
Due in one to two years	-	1,000,000
Due in two to five years	12,850,000	7,485,695
	<u>12,850,000</u>	<u>8,485,695</u>

14 PROVISIONS FOR LIABILITIES AND CHARGES

Provision for deferred tax has been made as follows:

	Group
	£
At beginning of the period	67,035
Transfer to profit and loss account	(143,000)
	<u> </u>
At end of period	<u>(75,965)</u>

Bet365 Group Limited

NOTES TO THE FINANCIAL STATEMENTS
for the 43 week period ended 30 March 2003

14 PROVISIONS FOR LIABILITIES AND CHARGES (continued)

The elements of the deferred tax assets are:

	Group 2003	2 June 2002
	£	£
Difference between accumulated depreciation and amortisation and capital allowances	70,117	71,036
Other timing differences	(3,082)	(4,001)
Tax losses	(143,000)	-
	<u>(75,965)</u>	<u>67,035</u>

15 SHARE CAPITAL

Group and Company

Authorised

Ordinary share of £1 each

Ordinary shares of £1 each

"A" ordinary shares of £1 each

"B" ordinary shares of £1 each

"C" ordinary shares of £1 each

2003	2 June 2002
£	£

8,830	8,830
170	170
1,000	1,000
3,000	-
<u>13,000</u>	<u>10,000</u>

Allotted, called up and fully paid

Ordinary shares of £1 each

"A" ordinary shares of £1 each

"B" ordinary shares of £1 each

1,437	1,437
170	170
1,000	1,000
<u>2,607</u>	<u>2,607</u>

The ordinary shares, the "A" shares and the "B" shares carry the same rights and rank *pari passu* except for the following:

In the event of winding up the "B" ordinary shareholders shall only be entitled to an amount equivalent to the amount realised (after all relevant costs) on the shares of Bet365 Holdings Limited.

The "B" ordinary shareholders shall only be entitled to dividends to the extent that the company has received dividends, which have not been previously distributed, from its shareholding in Bet365 Holdings Limited.

Distributions received from Bet365 Holdings Limited are only available to the "B" ordinary shareholders.

The "C" ordinary shares have no voting rights, but receive dividends in the same proportions as the "A" shares.

Bet365 Group Limited

NOTES TO THE FINANCIAL STATEMENTS

for the 43 week period ended 30 March 2003

16	SHARE PREMIUM AND RESERVES	Share premium account £	Profit and loss account £
	GROUP		
	At beginning of period	18,997,394	(5,221,059)
	Retained loss for the period	-	(3,590,426)
		<u> </u>	<u> </u>
	At end of period	18,997,394	(8,811,485)
		<u> </u>	<u> </u>
	COMPANY		
	At beginning and end of period	18,997,394	-
		<u> </u>	<u> </u>
17	RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		
		2003 £	2002 £
	Operating loss	(3,112,950)	(4,936,802)
	Depreciation	802,303	512,917
	Amortisation and impairment of intangible assets	830,487	618,000
	(Increase)/decrease in stock	(5,164)	1,725
	Increase in debtors	(172,710)	(172,656)
	Increase in creditors	1,691,786	2,630,721
		<u> </u>	<u> </u>
	NET CASH FLOW FROM OPERATING ACTIVITIES	<u>33,752</u>	<u>(1,346,095)</u>
18	RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT		£
	Increase in cash in the period		852,293
	Cash inflow from increase in debt and lease financing		(3,935,725)
			<u> </u>
	MOVEMENT IN NET FUNDS IN THE PERIOD		(3,083,432)
	NET DEBT AT 2 JUNE 2002		(8,708,738)
			<u> </u>
	NET DEBT AT 30 MARCH 2003		<u>(11,792,170)</u>

Bet365 Group Limited
NOTES TO THE FINANCIAL STATEMENTS
for the 43 week period ended 30 March 2003

19 ANALYSIS OF NET DEBT	At 2 June 2002 £	Cash flow £	At 30 March 2003 £
Cash in hand and at bank	1,526,568	(468,738)	1,057,830
Overdrafts	(1,321,031)	1,321,031	-
	<u>205,537</u>	<u>852,293</u>	<u>1,057,830</u>
Debt due within one year	(428,580)	428,580	-
Debt due after one year	(4,335,695)	(5,364,305)	(9,700,000)
Other loans	(4,150,000)	1,000,000	(3,150,000)
	<u>(8,708,738)</u>	<u>(3,083,432)</u>	<u>(11,792,170)</u>

20 COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

	2003		At 2 June 2002	
	Land and buildings £	Other £	Land and buildings £	Other £
GROUP				
Operating leases which expire:				
Within one year	13,100	-	4,350	631,918
In the second to fifth years inclusive	25,490	478,296	30,950	-
Over five years	294,225	-	297,515	-
	<u>332,815</u>	<u>478,296</u>	<u>332,815</u>	<u>631,918</u>

There were no capital commitments outstanding at the period end (2 June 2002: £nil).

21 PENSION COMMITMENTS

The group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the group to the scheme and amounted to £36,736 (2 June 2002: £24,758).

Contributions amounting to £10,272 (2 June 2002: £13,339) were payable to the scheme at the period end and are included in creditors.

Bet365 Group Limited

NOTES TO THE FINANCIAL STATEMENTS

for the 43 week period ended 30 March 2003

22 CONTINGENT LIABILITIES

The company has cross-guaranteed the overdraft and loans of its fellow group companies; the amount outstanding at the period end was £8,888,271 (2 June 2002: £4,825,108).

23 RELATED PARTY TRANSACTIONS

During the period the company had the following transactions with related parties as defined by Financial Reporting Standard 8:

The company is controlled by P Coates.

H Backhouse (Baker Street) Limited is a related party in which WW Roseff is a director. During the period ended 2 June 2002 H Backhouse (Baker Street) Limited loaned the group £900,000.

At 30 March 2003 £900,000 remained outstanding (2 June 2002: £900,000).

P Coates, a director, loaned £3,250,000 to the company during the period ended 2 June 2002.

At 30 March 2003 £2,250,000 remained outstanding (2 June 2002: £3,250,000).

Bet365 Group Limited

NOTES TO THE FINANCIAL STATEMENTS for the 43 week period ended 30 March 2003

24 ACQUISITIONS

Bet365 (LBO Holdings) Limited

On 21 October 2001 the company acquired the entire share capital of Bet365 (LBO Holdings) Limited (formerly Provincial Racing Holdings Limited).

	Book value £	Re- valuation £	Fair value £
FIXED ASSETS			
Licences	5,592,520	12,711,324	18,303,844
Tangible	2,698,430	-	2,698,430
CURRENT ASSETS			
Stock	8,614	-	8,614
Debtors	5,308,436	-	5,308,436
Cash	197,374	-	197,374
TOTAL ASSETS	13,805,374	12,711,324	26,516,698
LIABILITIES			
PROVISION FOR DEFERRED TAX	(67,035)	-	(67,035)
CREDITORS	(7,449,663)	-	(7,449,663)
TOTAL LIABILITIES	(7,516,698)	-	(7,516,698)
NET ASSETS	6,288,676	12,711,324	19,000,000
GOODWILL			-
PURCHASE CONSIDERATION			19,000,000

The revaluation adjustment arose as a result of the valuation of the licences held by the group.

Bet365 Group Limited
NOTES TO THE FINANCIAL STATEMENTS
for the 43 week period ended 30 March 2003

24 ACQUISITIONS (continued)

Bet365 Holdings Limited

On 21 October 2001 the company also acquired the entire share capital of Bet365 Holdings Limited.

	Book value £	Re- valuation £	Fair value £
FIXED ASSETS			
Goodwill	1,630,998	5,399,166	7,030,164
Tangible	794,177	-	794,177
CURRENT ASSETS			
Debtors	206,934	-	206,934
Cash	2,305,540	-	2,305,540
TOTAL ASSETS	4,937,649	5,399,166	10,336,815
LIABILITIES			
CREDITORS	(10,336,814)	-	(10,336,814)
TOTAL LIABILITIES	(10,336,814)	-	(10,336,814)
NET ASSETS	(5,399,165)	5,399,166	1
PURCHASE CONSIDERATION			1

The revaluation adjustment arose due to the difference between the fair value and book values of net assets acquired.