



**Bet365 Group Limited (formerly  
K&S (429) Limited)**

Directors' report and financial statements

2 June 2002

Registered number 4241161



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COMPANIES HOUSE

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01/02/03

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## Directors' report

The directors present their annual report and the audited financial statements for the period ended 2 June 2002.

### 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 plus software development.

### Business review

The company was incorporated on 26 June 2001 and on 21 October 2001 acquired the entire share capital of Bet365 Holdings Limited and Bet365 (LBO Holdings) Limited (formerly Provincial Racing Holdings Limited).

### Proposed dividend

The directors do not recommend the payment of a dividend.

### Directors and directors' interests

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 end of period	Interest at date of incorporation
P Coates (appointed 21 October 2001)	Ordinary shares	947	-
	"A" Ordinary shares	170	-
	"B" Ordinary shares	250	-
JF Coates (appointed 21 October 2001)	Ordinary shares	120	-
	"B" Ordinary shares	250	-
D Coates (appointed 21 October 2001)	Ordinary shares	120	-
	"B" Ordinary shares	250	-
WW Roseff (appointed 21 October 2001)	"B" Ordinary shares	250	-
	Ordinary shares	-	1
K&S directors Limited	Ordinary shares	-	1

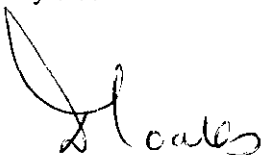
### Political and charitable contributions

The group made no political or charitable contributions during the period.

### Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



**D Coates**  
 Secretary

Hillside  
 Festival Way  
 Stoke-On-Trent  
 Staffs  
 27/01/2003

## Statement of directors' responsibilities

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 group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



St James Square  
Manchester  
M2 6DS

## Report of the independent auditors to the members of Bet365 Group Limited

We have audited the financial statements on pages 4 to 24.

### Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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

### Basis of audit opinion

We conducted our audit in accordance with 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 group'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.

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 2 June 2002 and of the loss of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants  
Registered Auditor

27/01/2003

**Consolidated profit and loss account**  
*for the 32 week period ended 2 June 2002*

	<i>Note</i>	Before goodwill and exceptional items	Goodwill and exceptional items	Total 2002
		£	£	£
<b>Group Turnover</b>				
Continuing operations - acquisitions		91,418,796	-	91,418,796
Direct costs		(84,705,829)	-	(84,705,829)
		<hr/>	<hr/>	<hr/>
<b>Gross profit</b>		6,712,967	-	6,712,967
Administrative expenses	2	(11,070,607)	(618,000)	(11,688,607)
Other operating income		38,838	-	38,838
		<hr/>	<hr/>	<hr/>
<b>Group operating loss</b>		(4,323,802)	(618,000)	(4,936,802)
Other interest receivable and similar income	5			12,300
Interest payable and similar charges	6			(296,557)
				<hr/>
<b>Loss on ordinary activities before taxation</b>	2-6			(5,221,059)
Tax on loss on ordinary activities	7			-
				<hr/>
<b>Retained loss for the financial period</b>				(5,221,059)
				<hr/> <hr/>

The group has no recognised gains or losses other than the loss for the period reported above.

## Consolidated balance sheet

at 2 June 2002

	Note	2002 £	2002 £
<b>Fixed assets</b>			
Intangible assets	8		24,716,008
Tangible assets	9		3,597,442
			<hr/>
			28,313,450
<b>Current assets</b>			
Stocks	11	6,889	
Debtors	12	694,070	
Cash at bank and in hand		1,526,568	
			<hr/>
		2,227,527	
<b>Creditors: amounts falling due within one year</b>	13	(8,209,305)	
			<hr/>
<b>Net current liabilities</b>			(5,981,778)
			<hr/>
<b>Total assets less current liabilities</b>			22,331,672
<b>Creditors: amounts falling due after more than one year</b>	14		(8,485,695)
<b>Provisions for liabilities and charges</b>	16		(67,035)
			<hr/>
<b>Net assets</b>			13,778,942
			<hr/> <hr/>
<b>Capital and reserves</b>			
Called up share capital	19		2,607
Share premium account	20		18,997,394
Profit and loss account	20		(5,221,059)
			<hr/>
<b>Shareholders' funds</b>			13,778,942
			<hr/> <hr/>

These financial statements were approved by the board of directors on 27/06/2003 and were signed on its behalf by:

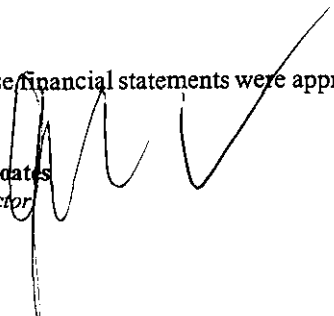
  
**JF Coates**  
 Director

**Company balance sheet**  
*at 2 June 2002*

	<i>Note</i>	2002 £
<b>Fixed assets</b>		
Investments	<i>10</i>	19,000,001
		<hr/>
<b>Net assets</b>		19,000,001
		<hr/>
<b>Capital and reserves</b>		
Called up share capital	<i>19</i>	2,607
Share premium account	<i>20</i>	18,997,394
Profit and loss account	<i>20</i>	-
		<hr/>
<b>Shareholders' funds</b>		19,000,001
		<hr/>

These financial statements were approved by the board of directors on 27/01/2003 and were signed on its behalf  
by:

JF Coates  
Director





**Consolidated cash flow statement**  
*for the 32 week period ended 2 June 2002*

	<i>Note</i>	2002 £
Cash flow from operating activities	23	(1,346,095)
Returns on investments and servicing of finance	24	(284,257)
Taxation		-
Capital expenditure and financial investment Acquisitions and disposals	24	(617,752)
		-
		<hr/>
Cash outflow before management of liquid resources and financing		(2,248,104)
		<hr/>
<b>Decrease in cash in the period</b>		<b>(2,248,104)</b>
		<hr/> <hr/>
<b>Reconciliation of net cash flow to movement in net debt</b>	25	
<b>Decrease in cash in the period</b>		<b>(2,248,104)</b>
		<hr/>
Change in net debt resulting from cash flows		(2,248,104)
Debt acquired with subsidiaries	25	(6,460,634)
		<hr/>
<b>Movement in net debt in the period</b>		<b>(8,708,738)</b>
<b>Net debt at the start of the period</b>		<b>-</b>
		<hr/>
<b>Net debt at the end of the period</b>	25	<b>(8,708,738)</b>
		<hr/> <hr/>

**Reconciliations of movements in shareholders' funds**  
*for the 32 week period ended 2 June 2002*

	Group 2002 £	Company 2002 £
<b>Loss for the financial period</b>	(5,221,059)	-
Dividends	-	-
	<hr/>	<hr/>
New share capital subscribed	(5,221,059) 19,000,001	- 19,000,001
	<hr/>	<hr/>
<b>Net addition to shareholders' funds</b>	13,778,942	19,000,001
Opening shareholders' funds	-	-
	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	13,778,942	19,000,001
	<hr/> <hr/>	<hr/> <hr/>

## **Notes**

*(forming part of the financial statements)*

### **1 Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements. The group has adopted FRS 18 'Accounting policies' and FRS 19 'Deferred tax' in these financial statements.

#### ***Basis of preparation***

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

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

#### ***Basis of consolidation***

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 2 June 2002. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account. The company has not traded throughout the period and consequently has made neither a profit nor a loss.

#### ***Goodwill***

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. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life.

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises.

#### ***Licences***

The Company capitalises acquired intangible assets (Betting office licences) and reviews their value annually to determine if impairment has occurred. Betting office licences are not amortised as they are regarded as having indefinite useful lives.

#### ***Investments***

In the company's financial statements, investments in subsidiary undertakings are stated at cost.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Tangible fixed assets and depreciation*

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

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

The freehold land and buildings are subject to an annual impairment review by the directors.

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### *Leases*

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

#### *Post 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.

#### *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 year in which it is incurred

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value.

#### *Taxation*

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

## Notes (continued)

### 1 Accounting policies (continued)

#### 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 in respect of the operation of licensed betting offices, all of which is attributable to UK markets, consists of the amounts receivable from customers for bets placed during the accounting period and for income received from AWP machines at branches. No adjustment is provided for ante post bets made relating to sporting events taking place after the accounting date, even if successful. In the opinion of the directors, such a provision would not be material.

#### Cash and liquid resources

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

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market.

### 2 Loss on ordinary activities before taxation

2002  
£

*Loss on ordinary activities before taxation is stated after charging*

#### Auditors' remuneration:

Group	- audit	14,000
Company	- audit	-
Depreciation and other amounts written off tangible fixed assets:		
Owned		512,917
Hire of other assets - operating leases		356,000
Amortisation of goodwill		618,000

**Notes (continued)**

**3 Remuneration of directors**

	2002 £
Directors' emoluments	107,842
	<u>          </u>

**4 Staff numbers and costs**

The average number of persons employed by the group (including directors) during the period, analysed by category, was as follows:

	Number of employees 2002
Managers and supervisors	96
Operations staff	232
Head office staff (including directors)	10
	<u>          </u>
	338
	<u>          </u>

The aggregate payroll costs of these persons were as follows:

	2002 £
Wages and salaries	2,632,289
Social security costs	207,084
Other pension costs	24,758
	<u>          </u>
	2,864,131
	<u>          </u>

**5 Other interest receivable and similar income - Group**

	2002 £
Other	12,300
	<u>          </u>

**6 Interest payable and similar charges - Group**

	2002 £
On bank loans and overdrafts	296,557
	<u>          </u>

**Notes (continued)**

**7 Taxation**

	Group 2002 £	Company 2002 £
Current tax on income for the period	-	-

**8 Intangible fixed assets**

Group	Goodwill £	Licences £	Total £
<i>Cost or valuation</i>			
At beginning of period	-	-	-
Additions	7,030,164	18,303,844	25,334,008
At end of period	7,030,164	18,303,844	25,334,008
<i>Amortisation and impairment</i>			
At beginning of period	-	-	-
Charged in period	618,000	-	618,000
At end of period	618,000	-	618,000
<i>Net book value</i>			
At 2 June 2002	6,412,164	18,303,844	24,716,008

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. Goodwill acquired on the business acquisition of Bet365 Holdings is amortised over the period from which the directors feel benefit from the acquisition of the goodwill, being 7 years.

Licences acquired with licensed betting offices are not amortised as they are regarded as having indefinite useful lives

**Notes (continued)**

**9 Tangible fixed assets**

	Land and buildings	Motor vehicles	Fixtures, fittings, tools and equipment	Total
Group	£	£	£	£
<b>Cost</b>				
At beginning of period	-	-	-	-
Additions	1,137,203	194,091	2,801,365	4,132,659
Disposals	-	(22,300)	-	(22,300)
At end of period	1,137,203	171,791	2,801,365	4,110,359
<b>Depreciation</b>				
At beginning of period	-	-	-	-
Charge for period	-	79,817	433,100	512,917
At end of period	-	79,817	433,100	512,917
<b>Net book value</b> At 2 June 2002	1,137,203	91,974	2,368,265	3,597,442

**10 Fixed asset investments**

Company	Shares in group undertakings £	Total £
<b>Cost or valuation</b>		
At beginning of period	-	-
Additions	19,000,001	19,000,001
At end of period	19,000,001	19,000,001
<b>Provisions</b>		
At beginning of period	-	-
At end of period	-	-
<b>Net book value</b> At 2 June 2002	19,000,001	19,000,001



**Notes (continued)**

**11 Stocks**

	<b>Group 2002 £</b>
Consumables	6,889

**12 Debtors**

	<b>Group 2002 £</b>	<b>Company 2002 £</b>
Prepayments and accrued income	427,805	-
Other debtors	266,265	-
	<u>694,070</u>	<u>-</u>

**13 Creditors: amounts falling due within one year**

	<b>Group 2002 £</b>	<b>Company 2002 £</b>
Bank loans and overdrafts	1,749,611	-
Trade creditors	4,669,617	-
Taxation and social security	307,756	-
Other creditors	584,707	-
Accruals and deferred income	897,614	-
	<u>8,209,305</u>	<u>-</u>

**Notes (continued)**

**14 Creditors: amounts falling due after more than one year**

	Group 2002 £	Company 2002 £
Bank loans	4,335,695	-
Amounts due from related parties (see note 27)	4,150,000	-
	<u>8,485,695</u>	<u>-</u>

**Analysis of debt:**

	Group 2002 £	Company 2002 £
<b>Bank loans and overdraft</b>		
Debt can be analysed as falling due:		
In one year or less, or on demand	1,749,611	-
Between one and two years	2,728,580	-
Between two and five years	1,607,115	-
In five years or more	-	-
	<u>6,085,306</u>	<u>-</u>

The bank loans and overdrafts are secured by mortgage debentures in respect of group companies.

	Group 2002 £	Company 2002 £
<b>Amounts due from related parties</b>		
Debt can be analysed as falling due:		
In five years or more	4,150,000	-
	<u>4,150,000</u>	<u>-</u>

**15 Contingent liabilities**

The company has cross-guaranteed the overdrafts of its fellow group companies; the amount outstanding at the year end was £1,321,031.

**Notes (continued)**

**16 Provisions for liabilities and charges**

The elements of deferred taxation are as follows:

	Group 2002 £	Company 2002 £
Difference between accumulated depreciation and amortisation and capital allowances	71,036	-
Other timing differences	(4,001)	-
	<hr/>	<hr/>
Undiscounted provision and deferred tax liability	67,035	-
	<hr/> <hr/>	<hr/> <hr/>

**17 Acquisition 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). The licences are capitalised and will be reviewed annually for impairment. The reason for selecting that treatment is to reflect the period over which the directors anticipate that future benefits will flow to the company.

	Book value £	Re- valuation £	Fair value £
<b>Fixed assets</b>			
Licences	5,592,520	12,711,324	18,303,844
Tangible	2,698,430	-	2,698,430
<b>Current assets</b>			
Stock	8,614	-	8,614
Debtors	5,308,436	-	5,308,436
Cash	197,374	-	197,374
	<hr/>	<hr/>	<hr/>
<b>Total assets</b>	13,805,374	12,711,324	26,516,698
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities</b>			
<b>Provision for deferred tax</b>	(67,035)	-	(67,035)
<b>Creditors</b>	(7,449,663)	-	(7,449,663)
	<hr/>	<hr/>	<hr/>
<b>Total liabilities</b>	(7,516,698)	-	(7,516,698)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Net assets</b>	6,288,676	12,711,324	19,000,000
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Goodwill</b>			-
			<hr/> <hr/>
<b>Purchase consideration</b>			19,000,000
			<hr/> <hr/>

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

**Notes (continued)**

**17 Acquisition Bet365 (LBO Holdings) Limited (continued)**

The profit and loss account of Bet365 (LBO Holdings) Limited for the period ended 21 October 2001 was as follows:

	4 June 2001 to 21 October 2001	Year ended 3 June 2001 (extract from the reported financial statements)
	£	£
<b>Turnover – continuing operations</b>	16,442,690	33,801,833
<b>Cost of sales</b>	(13,979,063)	(27,846,500)
	<hr/>	<hr/>
<b>Gross profit</b>	2,463,627	5,955,333
Administrative expenses	(1,983,233)	(5,645,485)
Profit on sale of subsidiary company	-	209,488
Other operating income	-	22,138
	<hr/>	<hr/>
<b>Operating profit – continuing operations</b>	480,394	541,474
Interest receivable	-	49,668
Interest payable and similar charges	(79,534)	(175,619)
	<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	400,860	415,523
Tax on profit on ordinary activities	(129,179)	(165,000)
	<hr/>	<hr/>
<b>Profit for the period</b>	271,681	250,523
	<hr/>	<hr/>

**Notes (continued)**

**18 Acquisition Bet365 Holdings Limited**

On 21 October 2001 the company also acquired the entire share capital of Bet365 Holdings Limited. The resulting goodwill of £7,030,164 was capitalised and will be written off over 7 years. The reasons for selecting that period are to reflect the period over which the directors anticipate that future benefits will flow to the company.

	Book value	Re- valuation	Fair value
	£	£	£
<b>Fixed assets</b>			
Goodwill	1,630,998	5,399,166	7,030,164
Tangible	794,177	-	794,177
<b>Current assets</b>			
Debtors	206,934	-	206,934
Cash	2,305,540	-	2,305,540
<b>Total assets</b>	<u>4,937,649</u>	<u>5,399,166</u>	<u>10,336,815</u>
<b>Liabilities</b>			
<b>Creditors</b>	(10,336,814)	-	(10,336,814)
<b>Total liabilities</b>	<u>(10,336,814)</u>	<u>-</u>	<u>(10,336,814)</u>
<b>Net assets</b>	<u>(5,399,165)</u>	<u>5,399,166</u>	<u>1</u>
<b>Purchase consideration</b>			<u>1</u>

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

**Notes (continued)**

**18 Acquisition Bet365 Holdings Limited (continued)**

The profit and loss account of Bet365 Holdings Limited for the period ended 21 October 2001 was as follows:

	4 June 2001 to 21 October 2001	Period ended 3 June 2001 (extract from the reported financial statements)
	£	£
<b>Turnover – continuing operations</b>	7,501,919	1,300,079
<b>Cost of sales</b>	(7,737,079)	(2,263,880)
	-----	-----
<b>Gross loss</b>	(235,160)	(963,801)
Administrative expenses	(3,003,238)	(1,062,253)
	-----	-----
<b>Operating loss – continuing operations</b>	(3,003,238)	(2,026,054)
Interest payable and similar charges	(72,600)	(62,115)
	-----	-----
<b>Loss on ordinary activities before taxation</b>	(3,310,998)	(2,088,169)
Tax on loss on ordinary activities	-	-
	-----	-----
<b>Loss for the period</b>	(3,310,998)	(2,088,169)
	=====	=====

**Notes (continued)**

**19 Called up share capital**

Group and company	2002 £
<i>Authorised</i>	
Ordinary shares of £1 each	8,830
"A" Ordinary shares of £1 each	170
"B" Ordinary shares of £1 each	1,000
	<hr style="width: 100%; border: 0.5px solid black;"/>
	10,000
	<hr style="width: 100%; border: 0.5px solid black;"/>
<i>Allotted, called up and fully paid</i>	
Ordinary shares of £1 each	1,437
"A" Ordinary shares of £1 each	170
"B" Ordinary shares of £1 each	1,000
	<hr style="width: 100%; border: 0.5px solid black;"/>
	2,607
	<hr style="width: 100%; border: 0.5px solid black;"/>

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 a 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.

**20 Share premium and reserves**

Group	Share premium account £	Profit and loss account £
At beginning of period	-	-
Retained loss for the period	-	(5,221,059)
Premium on share issues	18,997,394	-
	<hr style="width: 100%; border: 0.5px solid black;"/>	<hr style="width: 100%; border: 0.5px solid black;"/>
At end of period	18,997,394	(5,221,059)
	<hr style="width: 100%; border: 0.5px solid black;"/>	<hr style="width: 100%; border: 0.5px solid black;"/>
Company	Share premium account £	Profit and loss account £
At beginning of period	-	-
Retained profit for the period	-	-
Premium on share issues	18,997,394	-
	<hr style="width: 100%; border: 0.5px solid black;"/>	<hr style="width: 100%; border: 0.5px solid black;"/>
At end of period	18,997,394	-
	<hr style="width: 100%; border: 0.5px solid black;"/>	<hr style="width: 100%; border: 0.5px solid black;"/>

**Notes (continued)**

**21 Commitments**

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

<b>Group</b>	<b>2002 Land and buildings £</b>	<b>2002 Other £</b>
Operating leases which expire:		
Within one year	4,350	631,918
In the second to fifth years inclusive	30,950	-
Over five years	297,515	-
	<hr/>	<hr/>
	<b>332,815</b>	<b>631,918</b>
	<hr/> <hr/>	<hr/> <hr/>

**22 Pension scheme**

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 £24,758.

Contributions amounting to £13,339 were payable to the scheme at the year end and are included in creditors.

**23 Reconciliation of operating loss to operating cash flows**

	<b>2002 £</b>
Operating loss	(4,936,802)
Depreciation and amortisation charges	1,130,917
Decrease in stocks	1,725
(Increase) in debtors	(172,656)
Increase in creditors	2,630,721
	<hr/>
<b>Net cash outflow from operating activities</b>	<b>(1,346,095)</b>
	<hr/> <hr/>



**Notes (continued)**

**24 Analysis of cash flows**

	2002 £
<b>Returns on investment and servicing of finance</b>	
Interest received	12,300
Interest paid	(296,557)
	<u>(284,257)</u>
<b>Capital expenditure and financial investment</b>	
Purchase of tangible fixed assets	(640,052)
Sale of tangible fixed assets	22,300
	<u>(617,752)</u>
<b>Acquisitions and disposals</b>	
Purchase of subsidiary undertaking	-
	<u>-</u>

**25 Analysis of net debt**

	At beginning of period	Cash flow	Acquisition (excluding cash and overdrafts)	At end of period
	£	£	£	£
Cash in hand, at bank	-	(976,346)	2,502,914	1,526,568
Overdrafts	-	841,994	(2,163,025)	(1,321,031)
		<u>(134,352)</u>		
Debt due after one year	-	321,435	(4,657,130)	(4,335,695)
Debt due within one year	-		(428,580)	(428,580)
Other loans	-	(2,435,187)	(1,714,813)	(4,150,000)
		<u>(2,248,104)</u>	<u>(6,460,634)</u>	<u>(8,708,738)</u>
<b>Total</b>	<b>-</b>	<b>(2,248,104)</b>	<b>(6,460,634)</b>	<b>(8,708,738)</b>

**Notes (continued)**

**26 Acquisition of subsidiary undertakings**

Acquisition of Bet365 (LBO Holdings) Limited (formerly Provincial Racing Holdings Limited)

	£
<b>Net assets acquired</b>	
Licences	18,303,844
Tangible fixed assets	2,698,430
Stocks	8,614
Debtors including group undertakings	5,308,436
Cash at bank	197,374
Creditors	(1,979,241)
Bank overdrafts	(384,712)
Loans	(5,085,710)
Deferred taxation	(67,035)
	<hr/>
	19,000,000
	<hr/> <hr/>
<b>Satisfied by</b>	
Shares allotted	19,000,000
	<hr/> <hr/>

Acquisition of Bet365 Holdings Limited

	£
<b>Net assets acquired</b>	
Goodwill	7,030,164
Tangible fixed assets	794,177
Debtors	206,934
Cash at bank	2,305,540
Creditors	(2,064,545)
Bank overdrafts	(1,778,313)
Loans including group undertakings	(6,493,956)
	<hr/>
	1
	<hr/> <hr/>
<b>Satisfied by</b>	
Shares allotted	1
	<hr/> <hr/>

**27 Related party disclosures**

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 year H Backhouse (Baker Street) Limited loaned the group £900,000 which remained outstanding at the year end.

P Coates is a director, during the year P Coates loaned the group £3,250,000 which remained outstanding at the year end.